



## Staying the Course

**M**arch 2011 marked the two-year anniversary of the market bottom. Headlines in early 2009 talked of 401(k)s becoming 201(k)s and the demise of asset allocation strategies.

Two years later, the broad market is up about 98 percent and the demise of asset allocation strategies turned out to be greatly exaggerated. Fidelity Investment's participant research is summarized in table one, showing the performance of four different stock strategies from September 2008 through March 2010. This research provides an interesting look at the roller-coaster ride many individual investors have endured over the past few years, and it offers an important lesson about diversification. The data supports that it was possible to have survived the worst bear market since the Great Depression and come out of it fairly well with the right combination of stock and bonds.

A look at a real life DAP participant's account in table two (we'll call him participant John Doe) confirms Fidelity's research.

**Table Two - DAP Participant Balance Change**

<b>Participant John Doe</b>	
(Asset Allocation = 60% Equities, 40% Stable Value)*	
September 1, 2008 DAP Balance	\$1,020,882
Total Distributions	\$248,750
Change in Market Value	\$99,219
February 28, 2011 DAP Balance	\$871,351
<i>*94% of John Doe's funds are in the Moderate Model and 6% are in Stable Value, resulting in the 60% Equity, 40% Stable Value allocation.</i>	

The message here is that if you cannot rely solely on an investment in the Stable Value Option to meet your financial needs, then you need to allocate some assets to the equity options to keep your portfolio growing – even if you are currently taking distributions. The DAP Model Portfolios address these allocation issues by mixing Stable Value with equity options and most importantly, rebalancing as needed.

-Marty Zygmund, ED

**Table One - Stock strategies and past results from a market downturn**

Choice	Approximate number of participants	Avg. account balance as of Sep. 30, 2008	Avg. account balance as of Mar. 31, 2010	Change in account balance
<b>Flight to safety</b> Dropped to 0% equity in Q4 2008 or Q1 2009.	135,000	\$87,500	\$86,900	-0.8%
<b>Fled &amp; stayed on the sidelines</b> Dropped to 0% equity in their portfolio during Q4 2008 or Q1 2009 and stayed at 0% equity through March 31, 2010.	81,400	\$76,200	\$71,000	-6.8%
<b>Market timers</b> Dropped to 0% equity in Q4 2008 or Q1 2009, but allocated back to greater than 0% equities by March 31, 2010.	51,400	\$103,500	\$109,800	6.1%
<b>Stayed the course</b> Maintained greater than 0% equity allocation throughout the period.	7,332,000	\$66,000	\$80,400	21.8%

*The data reflect FMR analysis of recordkept defined contribution plan activity from 9/30/2008 through 3/31/2010. Of the 11 million participants, 7.5 million of them had some portion of their DC plan assets in equities as of 9/30/2008. Past performance is no guarantee of future results. This change in account balance reflects market activity as well as any employee and employer contributions, loans and withdrawals.*

*Table from "Investing Lessons from the Downturn," Fidelity Viewpoints<sup>SM</sup> - Workplace Edition, September 1, 2010.*

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## Plan News

### Recent DAP Manager Changes

The following manager changes have recently been made in the DAP. Lockwell Small Cap Value was added to the Diversified Small Company Stock Option, with an allocation of 10%. This addition resulted in the allocation of BlackRock Small Company Index being reduced to 20% from 30%. In the International Stock Option, TCW International Small Cap has been added with an initial allocation of 4%. TCW replaces the Openheimer International Small Company Fund. Both recent fund additions are funds started by the former managers that recently left funds that had been part of the DAP. Richard Glass was previously

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## Fund Performance

as of March 31, 2011 (in percentages)

Funds & Portfolios	2008	2009	2010	Ytd 2011	3 yr. avg.	5 yr. avg.	10 yr. avg.
Stable Value Fund	4.51	3.02	3.88	0.91	3.71	4.29	4.79
BC 1-3 Yr Gvt/Treas	6.65	1.41	2.40	0.06	2.48	4.24	3.79
Value Stock Fund	-42.58	33.41	16.85	5.03	1.23	2.87	5.30
Russell 1000 Value Index	-36.85	19.69	15.51	6.46	0.60	1.38	4.53
Equity Index Fund	-37.33	28.29	16.92	6.30	3.36	2.85	4.02
Russell 3000 Index	-37.31	28.34	16.93	6.38	3.42	2.95	4.13
Growth Stock Fund	-39.62	37.93	19.77	6.62	6.30	4.12	4.33
Russell 1000 Growth Index	-38.44	37.21	16.71	6.03	5.19	4.34	2.99
International Stock Fund	-48.64	48.16	17.18	2.71	0.83	4.83	7.78
MSCI EAFE Net Dividend	-43.38	31.78	7.75	3.37	-3.01	1.30	5.39
Div. Small Co. Stock Fund	-36.44	35.51	26.60	7.48	9.08	3.70	7.18
Russell 2000 Index	-33.79	27.17	26.85	7.94	8.57	3.35	7.87
Retirement Portfolio	n/a	n/a	3.93	1.76	n/a	n/a	n/a
Retirement Composite Index	n/a	n/a	4.77	1.18	2.21	3.82	3.94
Conservative Portfolio	-15.10	14.30	9.46	2.80	4.08	4.37	5.19
Conservative Composite Index	-10.83	10.45	7.93	2.60	2.29	3.41	4.01
Moderate Portfolio	-26.59	24.52	14.15	4.03	4.97	4.61	5.88
Moderate Composite Index	-22.27	19.18	11.67	3.98	2.80	3.25	4.40
Aggressive Portfolio	-32.38	30.20	16.93	4.77	5.36	4.57	6.18
Aggressive Composite Index	-28.82	23.27	14.38	4.94	3.14	3.01	4.89

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the manager of the Invesco Small Cap Value Fund, before leaving to head the Lockwell fund, while Rohit Sah moved from Oppenheimer to the TCW fund. For more information on these funds, visit the DAP website at [www.dapretirement.com](http://www.dapretirement.com).

## Roth 401(k)s are coming

At its recent meeting, the DAP Board of Directors approved the use of Roth 401(k)s in the DAP. To do a full or partial conversion of an existing qualified DAP account to a Roth, a participant must be eligible for distribution from the Plan. This includes all former TWA employees and all CommunityAmerica employees over age 59½. Current CACU employees will be eligible to make after-tax contributions to a Roth 401(k) account from their salaries should they choose to do so. Look for more information about this new DAP feature in the coming weeks.

## New Alternate Board Member

The DAP is pleased to welcome Rance Carlson as a new Alternate Participant Board Member. Mr. Carlson is a Senior Financial Advisor with Community-America Credit Union and holds a bachelor's degree in Industrial/Organizational Psychology as well as an MBA with a concentration in finance. He holds FINRA Series licenses 7, 63 and 65.

*Past performance is no guarantee of future results.*

*Asset allocation and diversification do not ensure a profit or guarantee against loss.*

*Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.*

*Investing involves risk, including risk of loss. Generally, among asset classes, stocks are more volatile than bonds or short-term instruments.*

*Foreign investments involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.*

## Fund Component Weighting

These tables represent component weightings for individual investment funds as of March 31, 2011.

	Weight- ings	Net Value of Funds (\$MM)
Stable Value Fund		\$277.8
Dreyfus Cash Mgmt. Fund/CDs	14%	
Invesco Interest Income	46%	
Wellington Core Bond	40%	
Value Stock Fund		34.4
BlackRock Value Index	20%	
Neuberger Berman Partners	20%	
T. Rowe Price Value	20%	
JP Morgan Large Cap Value	15%	
Goldman Sachs Mid Cap Value Instl.	15%	
CGM Focus	10%	
Equity Index Fund		16.3
BlackRock US Equity Index	100%	
Growth Stock Fund		24.1
BlackRock Growth Index	20%	
Marsico Focus	20%	
Wellington Mid Cap Opportunities	15%	
Turner Mid Cap Growth	15%	
T. Rowe Price Growth Stock	15%	
Primecap Odyssey Growth	15%	
International Stock Fund		23.8
BlackRock EAFE Index	26%	
Templeton Instl. Foreign Equity	12%	
Thornburg International Value	12%	
Marsico International Opportunities	12%	
Am Century International Discovery	10%	
Am Century International Growth	10%	
Dimensional Emerging Markets Value	8%	
Royce Global Value	6%	
TCW International Small Cap	4%	
Diversified Small Co. Stock Fund		39.2
BlackRock Small Co. Index	20%	
Dimensional US Micro Cap Portfolio	15%	
Royce Opportunity	15%	
Third Avenue Small Cap Value	15%	
Brown Capital Mgmt. Small Co. Instl.	15%	
Buffalo Small Cap	10%	
Lockwell Small Cap Value	10%	
Retirement Portfolio		12.3
Conservative Portfolio		66.1
Moderate Portfolio		205.6
Aggressive Portfolio		27.4
Fidelity Funds Window		72.8
<b>Total</b>		<b>\$799.8</b>

### More Information and Plan Contacts

To get daily NAVs, account balance information, or to make transfers, you may call the DAP Service Center telephone voice response system, available 24 hours a day. Customer service representatives are available 8:30 a.m. to 8:30 p.m., Eastern time Monday through Friday. Call 1-877-4TWADAP (1-877-489-2327) or dial the AT&T direct country code and 877-833-9900 (call collect) outside the U.S. Use your Social Security number and PIN to access your account.

The intent of this communication is to provide useful information, not investment advice. Each participant in the Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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