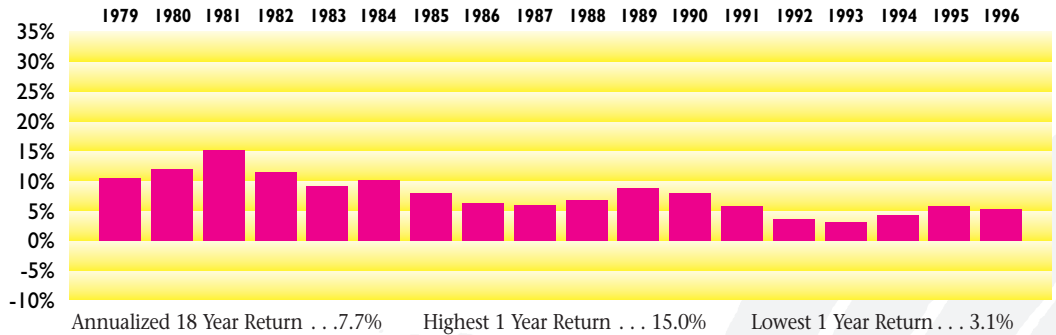


# WHAT'S IN THE MODEL PORTFOLIOS?

How have simulations of these mixes performed historically?

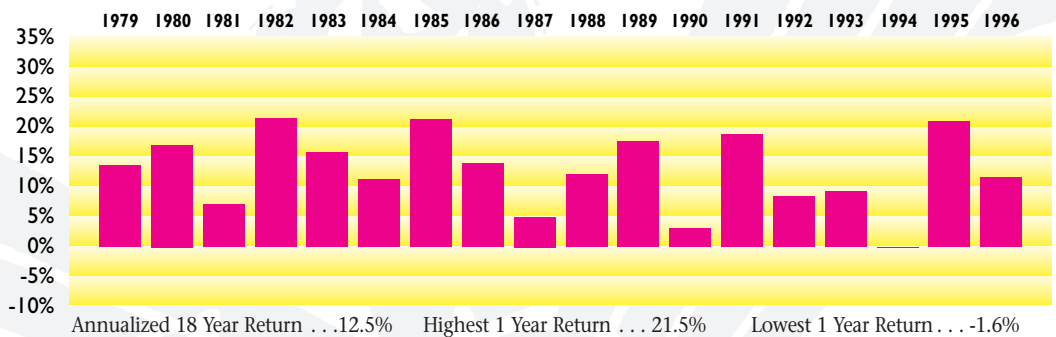
## T-Bills

T-Bills . . . . .100%  
Average 18 Year  
Inflation Rate . . . . .4.8%



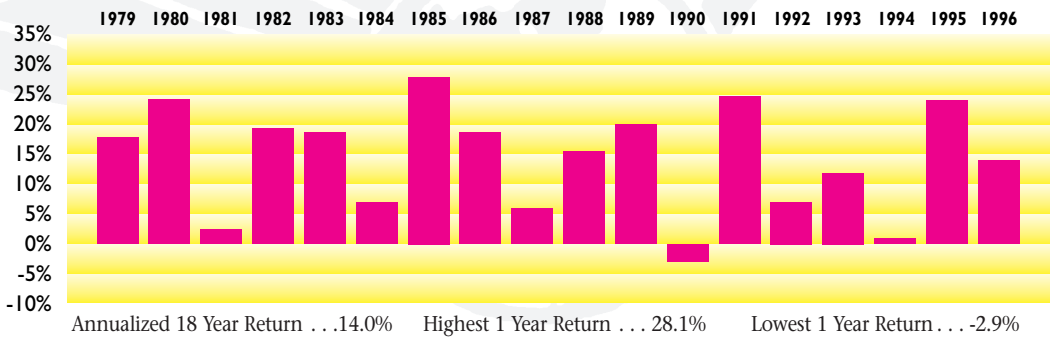
## Conservative Composite Portfolio

Components:  
Stable Value Fund . . . . .60%  
Conservative Equity  
Income Fund . . . . .20%  
Equity Index Fund . . . . .20%



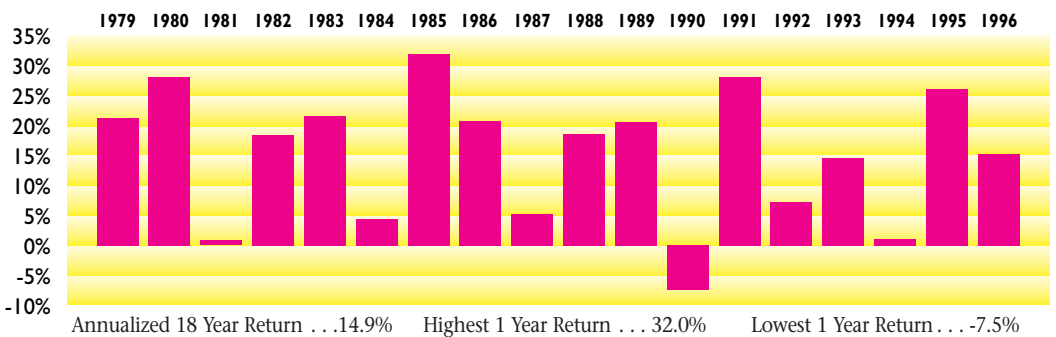
## Moderate Composite Portfolio

Components:  
Stable Value Fund . . . . .35%  
Conservative Equity  
Income Fund . . . . .15%  
Equity Index Fund . . . . .15%  
Growth Stock Fund . . . . .15%  
International  
Stock Fund . . . . .10%  
Aggressive Growth  
Stock Fund . . . . .10%



## Aggressive Composite Portfolio

Components:  
Stable Value Fund . . . . .20%  
Conservative Equity  
Income Fund . . . . .15%  
Equity Index Fund . . . . .15%  
Growth Stock Fund . . . . .15%  
International  
Stock Fund . . . . .15%  
Aggressive Growth  
Stock Fund . . . . .20%



Performance shown for the Model Portfolios (1979 - 1996) is simulated based on returns of the benchmark indexes of each of the underlying TWA Pilots' DAP/401(k) funds used to create the Model Portfolios. Simulated returns compiled by Frank Russell Company. Simulated results shown do not reflect the deduction of transaction, management, and administrative costs. The simulations assume annual rebalancing to the target allocations. Past performance is for illustrative purposes only and is not a guarantee of future performance. This information is provided for reference only. For more information on the Model Portfolios, see the July 1995 issue of *Heads Up* or call the TWA Pilots' DAP/401(k) at 314-739-7373.

The intent of this publication is to provide useful investment information, not investment advice. Each participant is ultimately responsible for making his or her own investment decisions.



## A Historical Perspective on the Model Portfolios

Introduced more than three years ago, the Model Portfolios have become popular “single solutions” for DAP/401(k) participants. In fact, more money is invested in the Moderate Portfolio than any other plan option.

The charts on the opposite page show how these Portfolios might have performed over the 18-year period from 1979 through 1996. The data reflects the performance of the benchmark indexes of each of the underlying funds (the 18-year time period was selected based on availability of index data).

Although past performance cannot predict future results, these charts do show that the benchmarks have stayed true to the Portfolios’ risk/return objectives throughout the past 18 years. The Conservative Portfolio is designed for investors who wish to limit volatility and risk of principal. Its benchmarks were slightly more volatile than T-bills, but returned an average of 4.8% over T-bills through the 18 year period. The Moderate Portfolio is

designed to provide a balanced long-term asset allocation suitable for a majority of participants. Its benchmarks provided an average annual return of 14.0%, with the lowest one-year return of -2.9% in 1990. The Aggressive Portfolio is designed for participants with long time horizons and those willing to accept more risk and higher volatility. Its benchmark returns were significantly more volatile than T-bills, but also provided the highest average return of 14.9%, with the lowest single-year return of -7.5% in 1990.

The Model Portfolios could have provided similar returns if they had been in existence during those 18 years and consistently tracked their benchmarks. In fact, in some years the Portfolios’ actual performance has outpaced the benchmarks. For example, the Moderate Portfolio returned 14.26% in 1996, while the benchmark returned 14.0% that same year.

## A Look Inside the DAP/401(k) Plan

Do you ever wonder what fellow DAP/401(k) participants are doing? These pie charts provide a snapshot of the current asset allocation to the DAP, 401(k) and Fidelity Window investment options.

TWA’s 401(k) is split roughly 72% equities and 28% bonds, cash items and other fixed income investments. Among 401(k) plans nationwide, the split is closer to 41% equity; 24% bonds, cash items and other fixed income investments;

and 35% other assets such as real estate holdings.\*

These figures suggest that TWA pilots, as a whole, are investing more aggressively than the general population of participants in similar plans. The amount of equity chosen suggests that TWA pilots are well invested for the long term.

\*Source: Employee Benefits Research Institute (EBRI) Quarterly Pension Investment Report, first quarter 1996. Data as of the end of 1995.

