

# Structured Alpha-Absolute Yield

PLEASE SEE BACK FOR IMPORTANT RISK CONSIDERATIONS AND DISCLOSURE INFORMATION

## Product Specs

Alpha target (annualized)	500 bps net of fees
Tracking Error target (annualized)	2% to 4%
Instruments	Equity index options
Beta exposure	90 Day T-Bills
Expected correlation, equity	0.3 or lower
Expected correlation, fixed income	0.0
Leverage	No borrowing
Management fee	0%
Performance fee	30%

## Investment Team

Greg Tournant, Lead Portfolio Manager

- Portfolio Manager
- 13 years experience/6 years tenure

Stephen Bond-Nelson, Portfolio Manager

- Portfolio Manager
- 14 years experience/9 years tenure

Trevor Taylor, Portfolio Manager

- Portfolio Manager
- 10 years experience/Joined Dec. 2008

3 Research Analysts

- Average 9 years experience/3 years tenure

## Assets Under Management (as of 4/30/09)

\$477.0 million in Structured Products

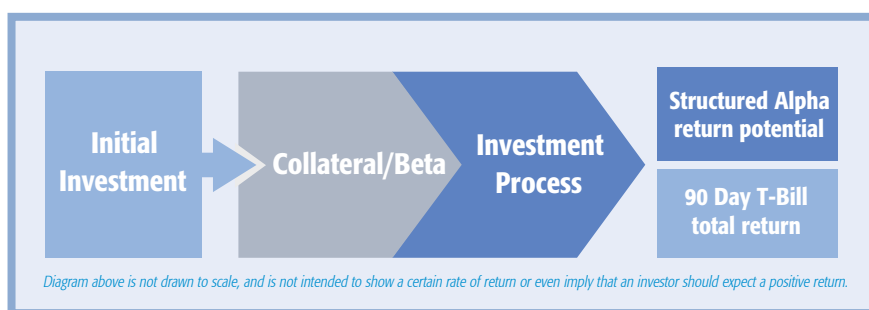
\$1.7 billion in option strategies managed by team

## Investment Capabilities

Strategy	<b>Enhanced Index</b>	<b>Structured Alpha</b>	
Alpha Target	+250 bps net	+500 bps net	
Tracking Error Target	1% - 2%	2% - 4%	
Marketplace Application	ENHANCED INDEX	PORTABLE ALPHA	ABSOLUTE RETURN
Product Application	<ul style="list-style-type: none"> <li>▶ US Large Cap Core</li> </ul>		<ul style="list-style-type: none"> <li>▶ Absolute Yield</li> <li>▶ US Large Cap Core</li> <li>▶ US Core Fixed Income</li> </ul>

## Overview

Structured Alpha-Absolute Yield is a unique alpha enhancement strategy that targets a return stream with low or no correlation to the return of the underlying 90 Day T-Bill portfolio. Coupling the innovation of an alternative investor with the client-friendliness of a traditional manager, Structured Alpha-Absolute Yield employs a proprietary investment approach that uses equity index options in pursuit of consistent, efficient return potential.



## Objective

Structured Alpha-Absolute Yield seeks to deliver 5% annually, net of fees and expenses, on top of the return of the 90 Day T-Bill, with an expected annualized tracking error of 2% to 4%.

## Methodology

We analyze the statistical behavior of the S&P 500 Index and other equity indexes to develop proprietary expected probabilities of the magnitude of future index movements. From this analysis, we construct option spreads using puts and calls on the equity indexes. Our objective is to create option-based profit zones that, upon expiration of the options, will capture positive payoffs if the level of the underlying index ends up within our profit zones. We conduct rigorous analysis of the volatility surface, and seek to optimize our spread positions and profit zones based on (a) our alpha target, (b) structural risk protection, (c) collateral management and (d) flexibility to restructure our profit zones if necessary.

## For More Information

For more information about Structured Alpha-Absolute Yield and our Structured Product capabilities, or about other Oppenheimer Capital investment strategies, please contact us at 877.716.9787 or via e-mail at [info@opc.com](mailto:info@opc.com).

## Important Risk Considerations

This material describes certain structured product capabilities of Oppenheimer Capital LLC. These strategies involve selling and buying put and/or call options and may not be suitable for every investor. No assurance can be given that any particular investment objective will be achieved. Among the risks specific to these strategies that Oppenheimer Capital wishes to call to the attention of prospective investors are the following:

- ▶ The use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. Derivatives can be more volatile and involve significant risk and can disproportionately increase losses and reduce opportunities for gains.
- ▶ Derivative transactions may produce effects similar to leverage and expose an account to related risks. Consequently, an adverse change in the relative price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the derivative contract.
- ▶ For each strategy, the collateral requirement may vary depending on the use of an active or passive underlying portfolio, and on the extent to which the strategy uses call and put options. For each strategy, securities from the passive or active underlying portfolio may be pledged as collateral in order to implement the option positions. The collateral rules are based on the greater of Reg T rules (standard collateral rules defined by the CBOE and the SEC) and requirements of counterparties. When collateral is used to implement option positions, it is possible that a decline in market value of the option positions could force the portfolio to cover any shortfall by liquidating non-cash assets. The timing of such liquidation may be adverse.
- ▶ When writing put and call options, the premium received may not be sufficient to offset any losses sustained from the volatility of the underlying investments.
- ▶ Call options purchased for an account and not sold prior to expiration will expire worthless if the value of the underlying security or index at expiration is less than the exercise price of the option, causing the account to lose its entire investment in the option.
- ▶ Put options purchased for an account and not sold prior to expiration will expire worthless if the value of the underlying security or index at expiration exceeds the exercise price of the option, causing the account to lose its entire investment in the option.
- ▶ The account may be required to sell investments at times it would not otherwise choose to do so in order to settle written options. Such sales may result in losses on such investments and will, in addition, involve transaction costs.
- ▶ Options on indices may not correlate perfectly with the underlying investments and may not act as expected. Such transactions may not achieve their objectives and may result in (or add to) losses to the account.
- ▶ The strategies described herein are based on a proprietary model that is designed to take into account the historical behavior of options. The proprietary model may not correctly forecast future investment results. In addition, to the extent that the market behavior of options changes, the proprietary model may not be able to effectively optimize option selection and the investment objective of given transactions may not be achieved and may result in losses.
- ▶ Strategies described herein are dependent on the smooth functioning of the markets for the particular instruments being purchased or sold. If such markets do not operate as expected, the option strategies described herein could be adversely affected.
- ▶ Past results are not necessarily indicative of future performance and performance may be volatile.

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