

PLEASE SEE REVERSE FOR IMPORTANT RISK CONSIDERATIONS AND DISCLOSURE INFORMATION

## Product Specs

Alpha target (annualized)	250 bps net of fees
Tracking Error target (annualized)	1% to 2%
Instruments	Equity index options
Beta choices	T-Bills, any equity or fixed income index
Expected correlation, equity	0.3 or lower
Expected correlation, fixed income	0.0
Leverage	No borrowing
Management fee	0%
Performance fee	30%

## Assets Under Management (as of 9/30/08)

\$563.9 million in Structured Products  
 \$2.5 billion in option strategies managed by team

## Investment Capabilities

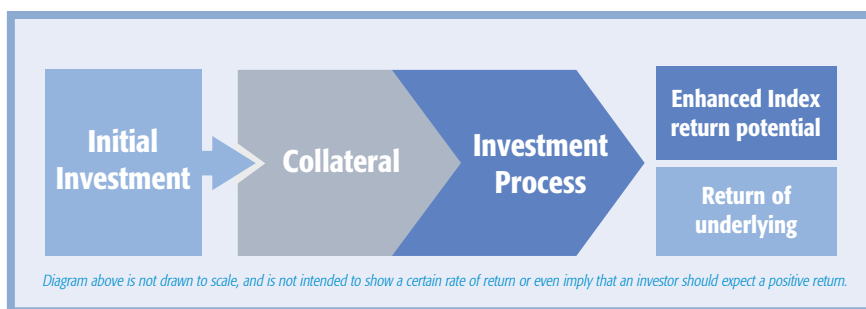
Strategy	<b>OpCap Enhanced Index</b>	<b>OpCap Structured Alpha</b>
Alpha Target	+250 bps net	+500 bps net
Tracking Error Target	1% - 2%	2% - 4%
Marketplace Application	ENHANCED INDEX	PORTABLE ALPHA
Product Application	OpCap Enhanced Index ▶ US Large Cap Core (S&P 500)	OpCap Structured Alpha ▶ Absolute Yield (90 Day T-Bills) ▶ US Large Cap Core (S&P 500) ▶ US Core Fixed Income (LB Agg.)

## For More Information

For more information about Enhanced Index 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@opcap.com](mailto:info@opcap.com)

## Overview

Enhanced Index is a unique alpha enhancement strategy that targets a return stream with low or no correlation to cash, equity or fixed income underlying portfolios. Coupling the innovation of an alternative investor with the client-friendliness of a traditional manager, Enhanced Index employs a proprietary investment approach that uses equity index options in pursuit of consistent, efficient return potential.



## Objective

Enhanced Index seeks to deliver 2.5% annually, net of fees and expenses, on top of equity, fixed income or cash portfolios, with an expected annualized tracking error of 1% to 2%.

## 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.

## About Oppenheimer Capital

Since our inception in 1969, Oppenheimer Capital has been a leading innovator of research-driven investment management. With more than \$13 billion in assets under management, Oppenheimer Capital features 42 investment professionals focused on profiting from research-driven insights. We are a multi-strategy manager with capabilities in equities, fixed income and structured products that are designed to generate alpha.

## Important Risk Considerations

This brochure 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 will differ/vary depending on the use of an active or passive underlying portfolio and on whether or not the strategy uses call and put options. For each strategy, securities from the passive or active underlying portfolio are 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 the rules from the counterparty. 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, even if the timing of such liquidation were 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 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 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 in order to cash settle written options that are exercised at times it would not otherwise choose to do so. 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 (basis risk) and may not act as expected. This may cause given transactions not to achieve their objectives and may result in losses to the account which may more than offset any gains received from option premiums.
- ▶ The strategies described herein are based on a proprietary model that is designed to take into account the historical behavior of options. Investors in these strategies are relying on the effectiveness of the proprietary model which 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.
- ▶ Investors in the strategies described herein are dependent on the smooth functioning of the security exchanges trading the particular index options being purchased or sold. If the security exchanges are not operating 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.

Note that in order to manage a Enhanced Index strategy, Oppenheimer Capital will also need to manage an underlying portfolio, a portion of which would be used as collateral for the options contracts. In the event that, over a continued period of time, there is a sustained loss in closeout of the options contracts, there is a risk that assets used as collateral for the options would need to be utilized to cover the loss incurred from the closeout of the options contracts. The information presented herein is intended only to provide the investment performance record of certain option strategies for discussion purposes only. This presentation is provided for informational purposes only and should not be construed as a recommendation of the appropriateness of any strategy for any particular investor. Oppenheimer Capital was established in 1969 and is an independent investment advisory firm registered under the Investment Advisers Act of 1940. Oppenheimer Capital is responsible for making all final investment decisions. **See the text at the top of this page for important information regarding the risks of investing in the strategies described herein. Please note that Oppenheimer Capital also offers this strategy in separately managed account form.**