Market Observations – First Quarter 2016
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It felt as if the market packed a year’s worth of drama into the first quarter. Although the S&P 500 ended the quarter up 1.35%, the index was down over 10% from the beginning of the quarter through February 11th and then rebounded over 12% at the end of the quarter in the black. We began the year just after the Fed began its tightening cycle with the first rate hike this past December. It is our opinion that, as we entered the year, investors seemed to be more concerned about global growth, the strengthening US Dollar (USD) and continued weakening of commodity prices. However, we believe that sentiment turned when commodity prices began to stabilize, central banks acknowledged their commitment to stimulating growth and inflation, and US economic data began to show improvement. The Fed, in turn, intimated that it planned on patiently continuing its tightening cycle. As a result, through the remainder of the quarter, the USD began to weaken against developed and emerging market currencies, commodities and equities rallied. The 10-year US Treasury began the year yielding 2.273% and ended the quarter at 1.784%, which we believe gives a sense that investors likely believe that the Fed will hold off on raising rates.

Among global equities, emerging markets was the strongest segment with a return of 5.7% for the quarter. Since the low in the markets hit on February 11th, the MSCI EM index rallied over 17%, benefiting from a weakening USD and strengthening commodity prices. The MSCI EAFE index was down 3.0% for the quarter despite continued monetary easing by the European Central Bank and the Bank of Japan. However, the weakening USD throughout the quarter was one factor working against non-US developed markets, and may have negatively impacted European and Japanese exports.

Within US equity markets we began to see shifting dynamics occur; value stocks began to outperform growth stocks, small cap stocks began to outperform large cap stocks, and high quality stocks outperformed low quality stocks. Earnings season could potentially make a big impression on the equity market as Wall Street expectation is that corporate earnings will be down over 8%, which would be the fourth consecutive quarter of negative earnings. The quarter’s declining earnings and increasing prices has brought market multiples to higher than average levels which could bring back negative sentiment amongst investors.

The US bond market enjoyed a strong quarter as all bond segments posted positive returns. The US Treasury curve shifted as yields were down across the curve. As a result, the Barclays US Treasury 20+ Year index was the top performing US bond segment with a return of 8.5%. On the short end of the curve, the Barclays US Treasury 1-3 Year index returned 0.9%, which was one of the weaker bond segments. High yield bond spreads tightened during the quarter as sentiment improved with the Barclays IG Credit index and BofA Merrill Lynch High Yield index returned 4.0% and 3.2%, respectively. The Barclays US Aggregate Bond index returned 3.0% for the quarter.

With the US equity market at higher than average valuations and US Treasury yields hitting lows, investors are left wondering where the investment opportunities lie. As previously stated, Oppenheimer Asset Management believes that maintaining a diversified mix of investments with a long-term focus presents a potentially beneficial investment opportunity.

1Q15 Commentary on the various market segments is on the pages that follow.
US Equity Style: A change in leadership occurred during the quarter as the Value style outperformed the Growth style across the market cap spectrum.

- From a market cap standpoint, Mid Cap stocks led the way with a return of 2.2% as per the Russell Mid Cap index.
- Large Cap stocks outperformed Small Cap stocks with Small Cap Growth being the weakest performing segment with a return of -4.7% as per the Russell 2000 Growth index. Interestingly, Small Cap Value was an outlier among smaller cap stocks with a positive return of 1.7% driven by materials and industrial stocks while the Small Cap Growth style was negatively impacted by biotech stocks.
- The dispersion between the best performing style (Mid Cap Value) and the worst performing style (Small Cap Growth) during the quarter was 8.6% indicating that manager style had a large impact on active management. However, as shown below and discussed above, it is Small Cap Growth that increased the dispersion among styles during the quarter.

Source: FactSet

US Sectors: Sector leadership turned back to the highest yielding sectors as the Fed indicated that it will be patient in resuming rate hikes.

- The Telecom and Utilities sectors, the highest yielding sectors, were the best performers for the quarter significantly outpacing the rest of the US equity market with returns of 16.6% and 15.6%, respectively.
- The Financials and Health Care sectors were the weakest performing sectors and the only two to underperform the broad S&P 500 index for the quarter with returns of -5.1% and -5.5%, respectively. Financials were hurt by a longer runway for additional rate hikes, which adversely impacts net interest margins. The Health Care sector was hurt by poor performance among biotech stocks.
- While the Energy and Materials sectors outperformed the broad equity market for the quarter, they are still the weakest sectors over the trailing one year period.
- There was a wide level of dispersion between the best and worst performing sectors for the quarter. The level of dispersion was over 22% with the Telecom sector being the best performer and the Health Care sector being the worst performer.
Non-US Markets: Emerging markets benefited from the changing dynamics of the USD depreciating, commodities stabilizing and showing signs of rebounding, and central bank support. International equity performance was disappointing despite central bank support.

- The MSCI EAFE and MSCI EM index returned -3.0% and +5.7% in in the first quarter, respectively.
- International equities had strong support from their central banks which should have supported equities. However, this seemed to be overshadowed by the USD weakening relative European currencies and the Japanese Yen. The USD was down 4.9% relative to the Euro and 7.0% relative to the Yen.
- Emerging markets benefited from the weakening USD as well as strengthening commodity prices. This was despite two large components of the MSCI EM index, China and India, posting negative performance for the quarter.
- Small cap stocks outperformed large cap stocks within international developed markets, providing some downside protection. Within emerging markets small cap stocks didn’t keep up with larger cap stocks.
- From a regional perspective the Latin American region drove emerging market performance with MSCI EM Latin America up 19.1%. The eastern European region also had a strong quarter with the MSCI EM Eastern Europe index up 14.3%. The Far East ex Japan region held up best within developed markets. While Japan was down 6.5% for the quarter, Australia and the rest of the Pacific region was up 1.8%. The weakest performing region was the Far East, which was pulled down by Japan. The Asian region performed well driven by good performance with Indonesia, the Philippines, and Korea. However, China and India posted disappointing performance with returns for MSCI China down 4.8% and MSCI India down 2.5%.
- From a sector perspective, the dynamics in developed markets were similar to what occurred in the US in terms of best and worst performers. However, within emerging markets the Energy and Materials sectors were the leaders for the quarter as emerging markets benefited from stabilizing and the potential rebound in commodity prices. Health Care was the only negative performing sector within emerging markets.

Source: FactSet
Fixed Income: All major bond segments provided positive returns globally during the first quarter.

- The yield curve shifted down across all maturities as investors looked to the safety of Treasuries amid global growth concerns. On the long-end of the curve, the Barclays US Treasury 20+ Year index returned 8.5% for the quarter and on the short-end of the curve the Barclays US Treasury 1-3 Year index returned 0.90%. The 10-year US Treasury began the year yielding 2.27% and ended the quarter at 1.78%.
- Credit spreads tightened during the quarter within both the investment grade and high yield segments. As a result, the Barclays US Investment Grade Credit index returned 4.0% for the quarter while the BofA Merrill Lynch High Yield index returned 3.2%. The lowest quality segment was the best performing. Leveraged loans (bank loans) didn’t perform as well as high yield bonds but still posted a respectable return as the S&P/LSTA Leveraged Loan index returned 2.5%.
- Municipal bonds continued their strong run with the Barclays Municipal Bond index posting a 1.7% return. High yield municipal bonds also performed well, outperforming high quality bonds.
- Global bond performance was largely driven by a broad rally in foreign currencies against the US dollar. Appreciation of the Brazilian Real and Russian Ruble led the local Emerging Market Index (JPMorgan GBI-EM Global Diversified) up 11.0% for the quarter. Developed Markets also benefited from strong performance of the Canadian Dollar, Japanese Yen, and the Euro, resulting in a 9% return for the Citigroup non-USD World Government Bond Index.
Manager Review: The first quarter was difficult for some of our active managers and great for other managers. Partly responsible for this was the pickup in volatility early in the quarter during the market drawdown, which then settled later in the quarter as the market rallied. During the period there were interesting dynamics which impacted manager performance. Those dynamics include but are not limited to: 1) good relative performance of high quality equity strategies, 2) the rotation from growth to value 3) the rebound in emerging markets. Below we cover these dynamics:

- **High quality equity strategies**: The volatility that occurred provided an opportunity for managers that emphasize quality characteristics to outperform. Many of these high quality-focused managers have experienced difficult performance during the recent bull market with little opportunity to add value. The recent drawdowns have given them the opportunity to show the defensive benefits of high quality managers during these volatile periods. Note; these high quality managers also include those that emphasize high and rising dividends.

- **Rotation from growth to value**: The relative performance between growth and value stocks was at one standard deviation as we entered 2016, meaning that growth was due to a rebound relative to value. Since the beginning of the year we have seen value strategies begin to outperform growth strategies across the market cap spectrum. Momentum has begun to shift away from growth stocks. Those value strategies that were most out of favor began to turn sharply positive during the first quarter.

- **Rebound in emerging markets**: Emerging market strategies had a difficult time over the past couple of years as commodity exporters have been hurt by declining commodity prices and China has been experiencing declining GDP growth while at the same time currencies have been depreciating relative to the USD. In the first quarter we saw a reversal for commodity exporters as they benefit from a rebound in commodity prices, and the USD began to depreciate relative to most emerging market currencies. This positively impacted performance of many emerging
market strategies and boosted performance of international equity strategies with exposure to emerging markets given that emerging markets outperformed developed markets.

Alternative investments experienced mixed performance. Given the idiosyncratic nature of many of these strategies, it is always difficult to generalize performance. With that said, the strongest performance seemed to come from real asset strategies; REITs and global infrastructure in particular. MLP strategies, which have taken it on the chin with the decline in oil prices, look to have stabilized during the quarter as oil prices have shown some stability (even though there should not be a direct correlation). Managed futures and macro strategies seemed to have also demonstrated positive performance during the quarter. Event driven strategies provided mixed performance during the quarter. Hedged equity strategies have also shown mixed performance during the quarter with many strategies having difficulty in their short books as the markets rallied in the second half of the quarter.

Disclosures

Indices are unmanaged and presented for comparison purposes only. Please note that the returns displayed for indices do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index.

Barclays Capital U.S. Aggregate Bond Index: The U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The Index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS sectors. The U.S. Aggregate Index is a component of the U.S. Universal Index in its entirety. The index was created in 1986 with index history backfilled to January 1, 1976. All issues in the Aggregate Index are rated Baa3/BBB-/BBB- or higher (using the middle rating of Moody’s, S&P, and Fitch, respectively) and have at least one year to maturity and have an outstanding par value of at least $250 million.

Barclays CMBS IG TR USD: The index measures the performance of investment-grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages. The index includes only CMBS that are Employee Retirement Income Security Act of 1974, which will deem ERISA eligible the certificates with the first priority of principal repayment, as long as certain conditions are met, including the requirement that the certificates be rated in one of the three highest rating categories by Fitch, Inc., Moody’s Investors Service or Standard & Poor’s.

Barclays Municipal TR USD: The Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

Barclays US Corp IG TR USD: The index measures the performance of investment grade corporate bonds.

Barclays US Corporate High Yield TR USD: Barclays US Corporate High Yield TR USD

Barclays US Govt/Credit Intern TR USD: A subgroup of the Barclays Government/Credit Bond Index that is based on maturity with greater than 1 to 10 years.

Barclays US Govt/Credit TR USD: The U.S. Government/Credit Bond Index is the non-securitized component of the U.S. Aggregate Index. Specifically, the Government/Credit Index includes treasuries (i.e., public obligations of the US Treasury that have remaining maturities of more than 1 year), Government-Related issues (i.e. agency, sovereign, supranational, and local authority debt) and Corporates (publicly issued US corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements). All issues in the Government/Credit Index are rated Baa3/BBB-/BBB- or higher (using the middle rating of Moody’s, S&P, and Fitch, respectively) and have at least one year to maturity and have an outstanding par value of at least $250 million.

Barclays US MBS TR USD: The Barclays Mortgage-backed Securities Index is a market value-weighted index which covers the mortgage-backed securities component of the Barclays U.S. Aggregate Bond Index. The index is composed of agency mortgage-backed pass through securities of the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) with a minimum $150 million par amount outstanding and a weighted-average maturity of at least 1 year. The index includes reinvestment of income

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Barclays US Treasury 20+ Yr TR USD: The Index is market capitalization weighted and includes all of the securities that meet the Index criteria. The index includes all publicly issued, U.S. Treasury securities that have a remaining maturity greater than 20 years, are non-convertible, are denominated in U.S. dollars, are rated investment grade (Baa3 or better) by Moody’s Investors Service, are fixed rate, and have more than $150 million par outstanding. Excluded from the Index are certain special issues, such as flower bonds, targeted investor notes (TINs) and state and local government series bonds (SLGs), and coupon issues that have been stripped from assets already included.

Barclays US Treasury TR USD: The U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices. The U.S. Treasury Index was launched on January 1, 1973.

Barclays US Treasury US TIPS TR USD: The Index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least 1 year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible. The Index is market capitalization weighted and the securities in the Index are updated on the last calendar day of each month.

BofAML US Corps BBB TR USD: This data represents the BofA Merrill Lynch US Corporate BBB Index, a subset of the BofA Merrill Lynch US Corporate Master Index tracking the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market. This subset includes all securities with a given investment grade rating BBB.

BofAML US HY CCC- Constrained TR USD: The BofA Merrill Lynch CCC and Lower US High Yield Constrained Index contains all securities in The BofA Merrill Lynch US High Yield Index that are rated CCC1 and lower, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis.


Europe Stoxx 600: The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Russell 1000 Growth Index (R1000 Growth): Measures the performance of the Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index (Russell 1000): Measures the performance of the 1,000 largest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 1000 Index represents the vast majority of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Large Cap performance.

Russell 1000 Value Index (R1000 Value): Measures the performance of the Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

**Russell 2000 Index (Russell 2000):** Measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 2000 Index represents a very small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.


**Russell 3000 Growth:** The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 3000 Index (Russell 3000):** Measures the performance of the 3,000 largest US companies based on total market capitalization, which represents nearly the entire market capitalization of the investable US equity market. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period.

**Russell 3000 Value:** The Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity universe. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.

**Russell Midcap Growth Index (Russell Midcap Growth):** Contains those Russell Midcap (800) securities with a greater than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

**Russell Midcap Index (Russell Midcap):** Measures the performance of the mid-cap segment of the US equity universe. The Russell Midcap Index includes the smallest 800 securities in the Russell 1000.

**Russell Midcap Value Index (Russell Midcap Value):** Contains those Russell Midcap (800) securities with a less-than average growth orientation. Securities in this index generally have lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

**S&P 500 Index:** The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value. The Index is one of the most widely used benchmarks of US Equity Large Cap performance.

**S&P 500 Sector/Consumer Discretionary Index:** The S&P 500 Sector/Consumer Discretionary Index consists of stocks chosen for their representation in the Consumer Discretionary industry. The companies in the index tend to be the most sensitive to economic cycles. Manufacturing companies include automotive, household durable goods, textiles and apparel, and leisure equipment. Service companies include hotels, restaurants/leisure facilities, media production and services, consumer retailing and services and education services. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Consumer Staples Index:** The S&P 500 Sector/Consumer Staples Index consists of stocks chosen for their representation in the Consumer Staples industry. The companies in the index tend to be the less sensitive to economic cycles. They include manufacturers and distributors of food, beverages and tobacco, and producers of non-durable household goods and personal products; also food and drug retailing companies. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Energy Index:** The S&P 500 Sector/Energy Index consists of stocks chosen for their representation in the Energy industry. The companies in the index are dominated by either the construction for provision of oil rigs, drilling equipment and other energy-related service and equipment or the exploration, production, marketing, refining and/or transportation of oil and gas products, coal and consumable fuels. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Financials TR Index:** The S&P 500 Sector/Financials Index consists of stocks chosen for their representation in the Financials industry. The companies in the index are involved in activities such as banking, consumer finance, investment banking and
brokerage, asset management, insurance and investments, and real estate, including REITs. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Healthcare TR Index:** The S&P 500 Sector/Healthcare Index consists of stocks chosen for their representation in the Healthcare industry. The companies in the index are involved in health care equipment and supplies, health care-related services, or in the research, development, production and marketing of pharmaceuticals and biotechnology products. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Industrials TR Index:** The S&P 500 Sector/Industrials Index consists of stocks chosen for their representation in the Industrials industry. Companies include those that manufacture and distribute capital goods (i.e. aerospace/defense, construction, engineering and building products, electrical equipment and industrial machinery); provide commercial services and supplies (i.e. printing, employment, environmental/office services); or provide transportation services (i.e. airlines, couriers, marine, road/rail and transportation infrastructure). It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Materials TR Index:** The S&P 500 Sector/Materials Index consists of stocks chosen for their representation in the Materials industry. These include companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals and mining companies, including steel producers. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Telecommunication Services TR Index:** The S&P 500 Sector/Telecom Services Index consists of stocks chosen for their representation in the Telecom industry. The companies in the index are involved in health care equipment and supplies, health care-related services, or in the research, development, production and marketing of pharmaceuticals and biotechnology products. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Utilities TR Index:** The S&P 500 Sector/Utilities Index consists of stocks chosen for their representation in the Utilities industry. Companies considered include electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P/LSTA Leveraged Loan TR:** The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market. Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro rata basis.

The success of an investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a portfolio’s investments. Unexpected volatility or illiquidity could result in losses.

Investing in securities is speculative and entails risk. There can be no assurance that one’s investment objectives will be achieved or that an investment strategy will be successful. Significant losses could result if a strategy involves the use leverage, short sales and derivative transactions, investment in foreign or illiquid securities, and potentially limited diversification.

**Special Risks of Fixed Income Securities**
For fixed income securities, there is a risk that the price of these securities will go down as interest rates rise. Another risk of fixed income securities is credit risk, which is the risk that an issuer of a bond will not be able to make principal and interest payments on time.
**Special Risks of Foreign Securities**

Investments in foreign securities are affected by risk factors generally not thought to be present in the US. The factors include, but are not limited to, the following: less public information about issuers of foreign securities and less governmental regulation and supervision over the issuance and trading of securities.

**Special Risks of Small Market Capitalization Securities**

Investments in companies with smaller market capitalization are generally riskier than investments in larger, well-established companies. Smaller companies often are more recently formed than larger companies and may have limited product lines, distribution channels and financial and managerial resources. These companies may not be well known to the investing public, may not have significant institutional ownership and may have cyclical, static or moderate growth prospects. There is often less publicly available information about these companies than there is for larger, more established issuers, making it more difficult for the Investment Manager to analyze that value of the company. The equity securities of small and mid-capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volume typical for securities that are traded on a national securities exchange. Consequently, the Investment Manager may be required to sell these securities over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies. In addition, the prices of the securities of small and mid-capitalization companies may be more volatile that those of larger companies.

**Special Risks of Master Limited Partnerships**

Master limited partnerships (MLPs) are publicly listed securities that trade much like a stock, but they are taxed as partnerships. MLPs are typically concentrated investments in assets such as oil, timber, gold and real estate. The risks of MLPs include concentration risk, illiquidity, exposure to potential volatility, tax reporting complexity, fiscal policy and market risk. MLPs are not suitable for all investors.

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