

The Value of Insight
Consultiva Internacional, Inc.

Annual Investment Management
Conference

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OPCAP Puerto Rico

The Value of Insight

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Organization



About Oppenheimer Capital

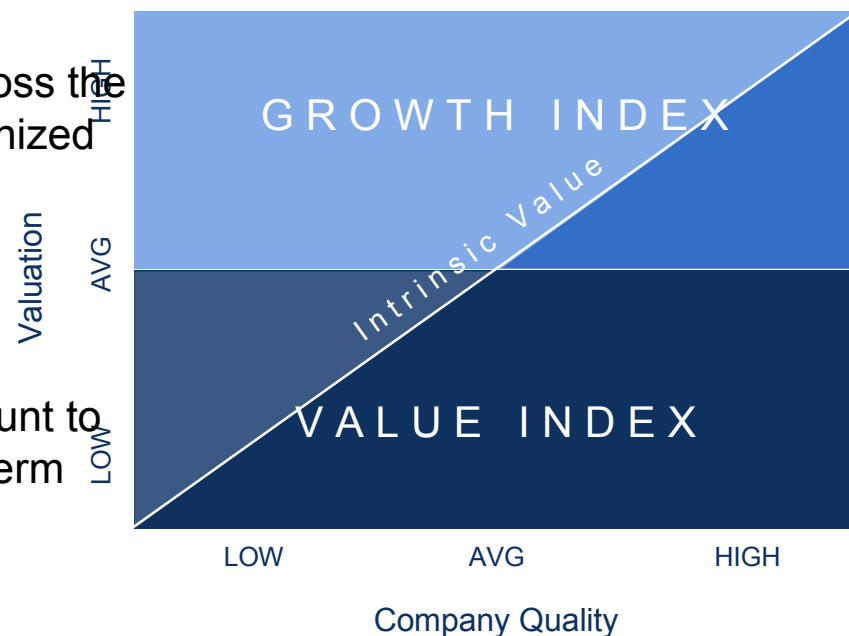
- ▶ Leading institutional equity manager since 1969
- ▶ Rich history of value investing innovation
- ▶ Disciplined adherence to research-driven, intrinsic value investment approach
- ▶ Client base includes employee benefit accounts (jointly trustee, public, and corporate) and endowments/foundations
- ▶ Broad array of products that seek long-term outperformance of a variety of U.S. and non-U.S. benchmarks
- ▶ Assets under management: \$36.8 billion

Investment Approach



Investment Philosophy

- ▶ Value is not simply a universe of companies, but rather an investment approach
- ▶ We research investment opportunities across the entire market, and have planned and organized our research effort to accomplish this
- ▶ We buy companies that are furthest below the intrinsic value line
- ▶ Owning high-quality businesses at a discount to their intrinsic value creates superior long-term investment returns



Investment Approach

Process

- ▶ Conduct rigorous, bottom-up fundamental analysis of companies
- ▶ Identify companies that feature strong management, sustainable competitive advantage, robust growth prospects, sound financial position and high profitability
- ▶ Determine intrinsic value of companies using discounted cash flow model and sum-of-the-parts net-asset-value calculations, distinguishing cash flow and economic earnings from accounting earnings.
- ▶ Research companies by meeting with management and third-party sources, analyzing financial statements and evaluating market position
- ▶ Stock is considered for purchase when a significant discount exists between its price and the underlying company's intrinsic value

The Technology Bubble

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1998 – 2000: The Tech Bubble

Confluence of Important Real Developments Is Key

- ▶ Technological advances driven by semiconductors
- ▶ Telecommunications deregulation and competition
- ▶ Patent protection and intellectual property

Large Growth Companies Drive Index Performance

Top Contributors As a % of S&P 500 Price Gains

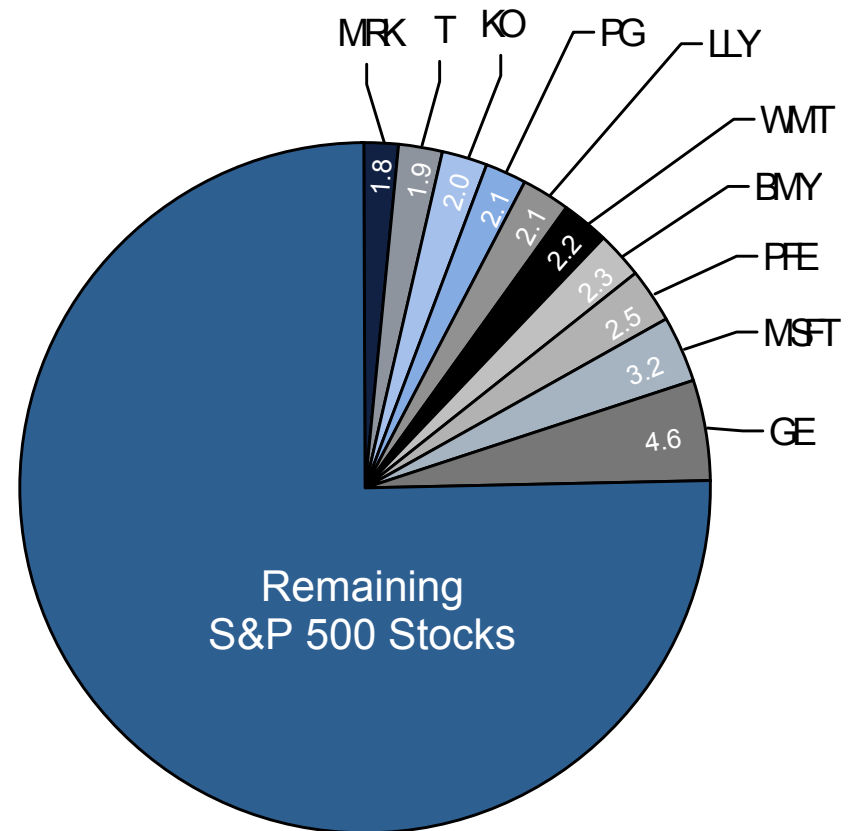
(12/31/1996 – 12/31/1997)

Top 10 Contributors
Accounted for

24.7%

of 1997 S&P 500 Gains

$$\text{Contribution} = \frac{\text{Market Cap Gains}}{\text{S\&P 500 Market Cap Gains}}$$



*No divisor adjustments applied; static, beginning-period cap weight used.
Source: Ned Davis Research, Inc*

Large Growth Companies Drive Index Performance

Top Contributors As a % of S&P 500 Price Gains

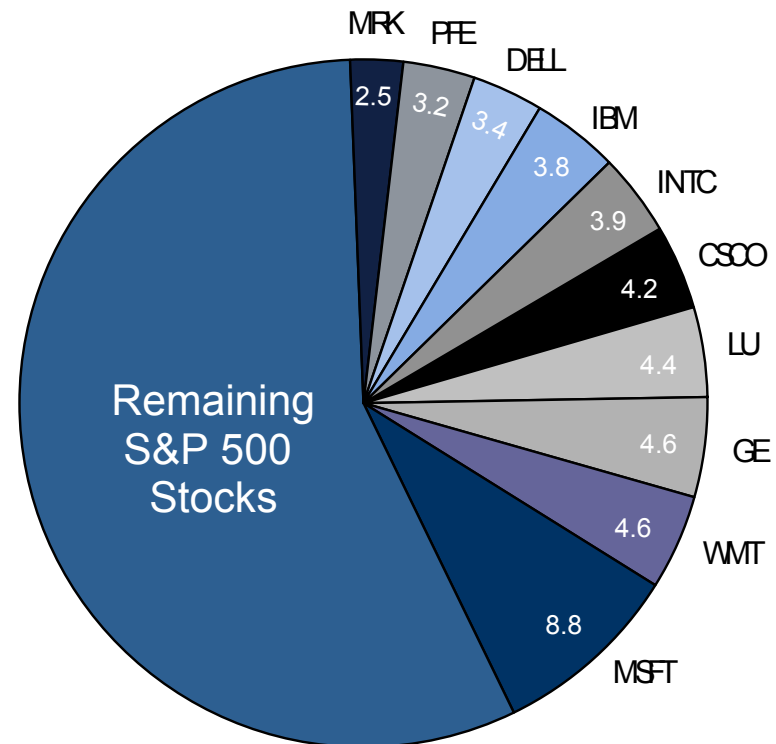
(12/31/1997 – 12/31/1998)

Top 10 Contributors
Accounted for

43.4%

of 1998 S&P 500 Gains

$$\text{Contribution} = \frac{\text{Market Cap Gains}}{\text{S\&P 500 Market Cap Gains}}$$



*No divisor adjustments applied; static, beginning-period cap weight used.
Source: Ned Davis Research, Inc*

Large Growth Companies Drive Index Performance

Top Contributors As a % of S&P 500 Price Gains

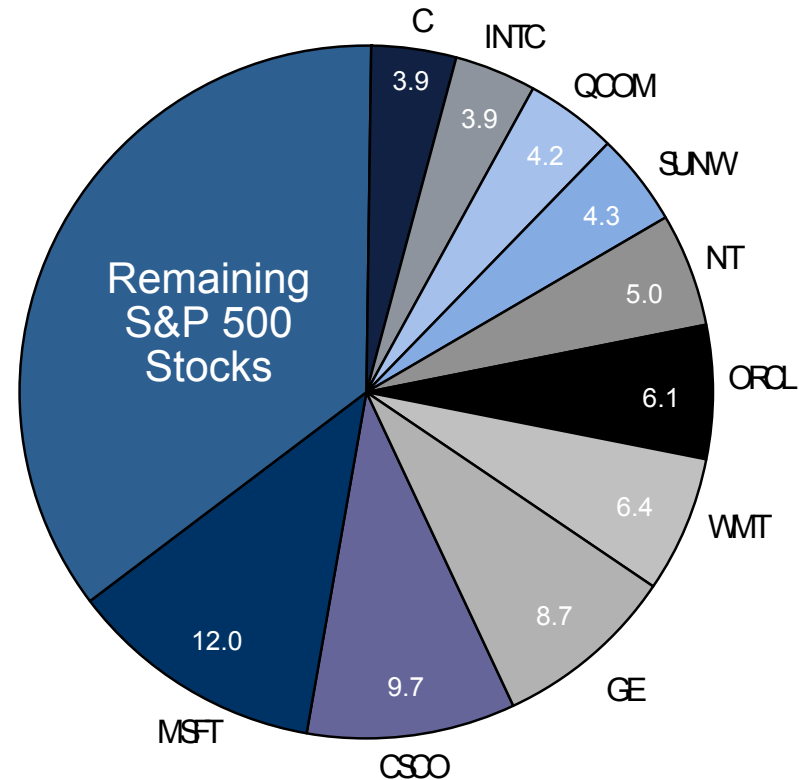
(12/31/1998 – 12/31/1999)

Top 10 Contributors
Accounted for

64.3%

of 1999 S&P 500 Gains

$$\text{Contribution} = \frac{\text{Market Cap Gains}}{\text{S\&P 500 Market Cap Gains}}$$



*No divisor adjustments applied; static, beginning-period cap weight used.
Source: Ned Davis Research, Inc*

Large Growth Companies Drive Index Performance

S&P 500 — Top 10 Contributors In 1999

Company Name	Ticker Symbol	Begin Weight	Total Return	Performance Contribution	P/E Beginning	
Microsoft	MSFT	3.5%	68.4%	2.4%	39.7x	61.1x
Cisco Systems	CSCO	1.5	130.8	1.9	43.8	83.7
General Electric	GE	3.3	53.6	1.8	31.5	41.9
Wal-Mart Stores	WMT	1.8	70.4	1.3	31.8	48.7
Oracle Systems	ORCL	0.4	289.8	1.2	20.8	81.2
Nortel Networks	NT	0.3	305.5	1.0	73.5	80.2
Qualcomm Inc*	QCOM		351.6	0.9	10.4	174.4
Sun Microsystems	SUNW	0.3	261.8	0.9	21.0	69.8
Citigroup	C	1.1	70.1	0.8	12.2	17.7
Intel	INTC	2.0	39.1	0.8	26.7	30.7
America Online	AOL	0.7	95.6	0.7	94.6	164.9
Top 10 (excl. QCOM)		15.0		12.7		
Top 11 Subtotal		15.0		13.6		
S&P 500				20.8%		
Top 11 as a % of Total S&P Performance				65%		
					Avg P/E	36.9x
					77.7x	

By Wilshire Atlas Based on Monthly Data

13 *QCOM statistics are since being added to S&P 500

ex-AOL 31.2x 68.9x

Allianz Group

Large Growth Companies Drive Index Performance

S&P 500 — Top Contributors Year-to-Date Ending 6/30/00

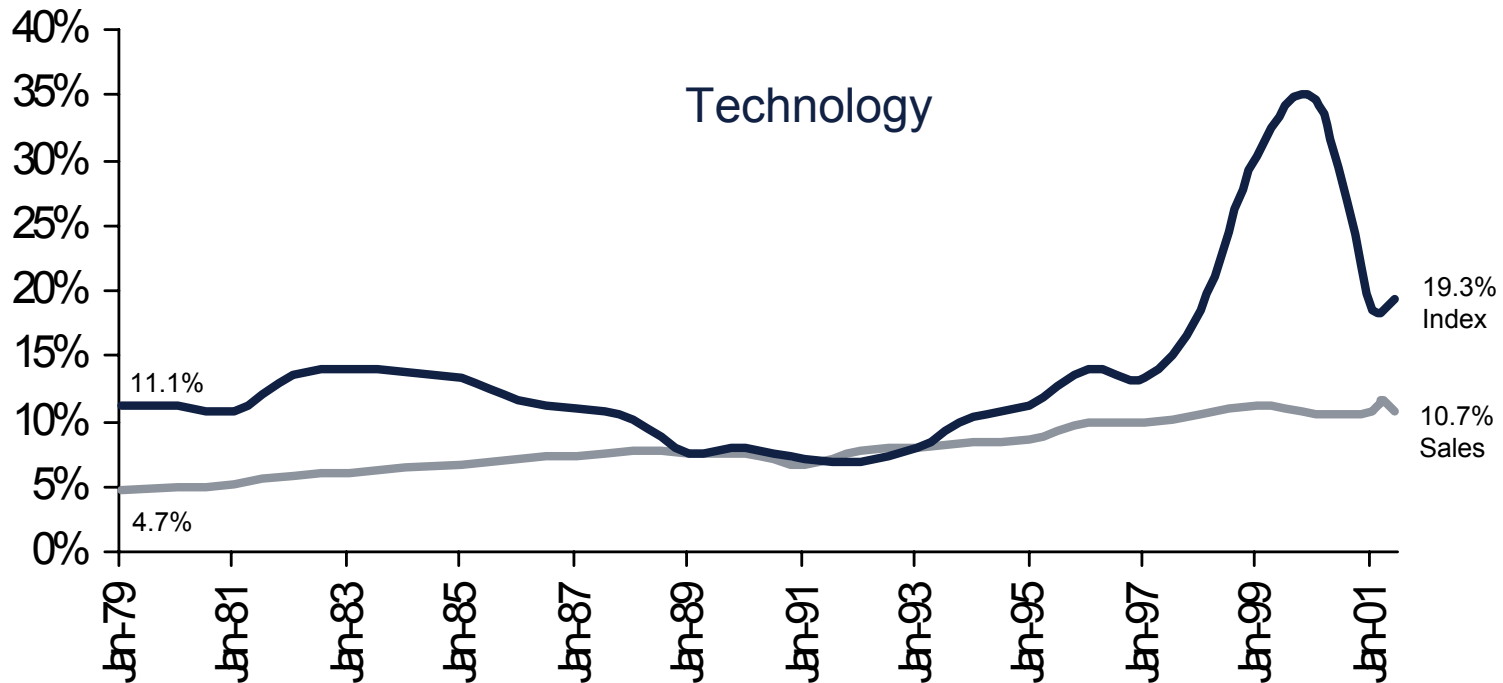
Company Name	Ticker Symbol	Begin Weight	Total Return	Performance Contribution	P/E Beginning	
Intel	INTC	2.2%	62.5%	1.4%	30.7x	43.4x
Oracle Systems	ORCL	1.3	50.0	0.6	81.2	98.9
Cisco Systems	CSCO	2.8	18.7	0.5	83.7	90.8
Pfizer	PFE	1.0	48.7	0.5	32.1	46.2
Nortel Networks	NT	1.1	35.2	0.4	80.2	100.3
EMC	EMC	0.9	40.8	0.4	76.9	104.0
Hewlett Packard	HWP	0.9	38.3	0.4	33.8	35.4
Warner Lambert	WLA	0.6	59.1	0.3	N/A	N/A
Corning	GLW	0.3	109.7	0.3	55.3	92.6
Eli Lilly	LLY	0.6	51.3	0.3	25.2	37.8
Top 10 Subtotal		11.7%		5.1%		
S&P 500				(0.4)%		
					Avg P/E	55.5x 72.2x

By Wilshire Atlas Based on Monthly Data

Valuation of Technology Falls

Tech as a % of S&P 500 vs. Tech Sales as a % of S&P 500 Sales

(As of 6/30/01)



Large Growth Companies Drive Index Performance

Top Detractors As a % of S&P 500 Price Gains

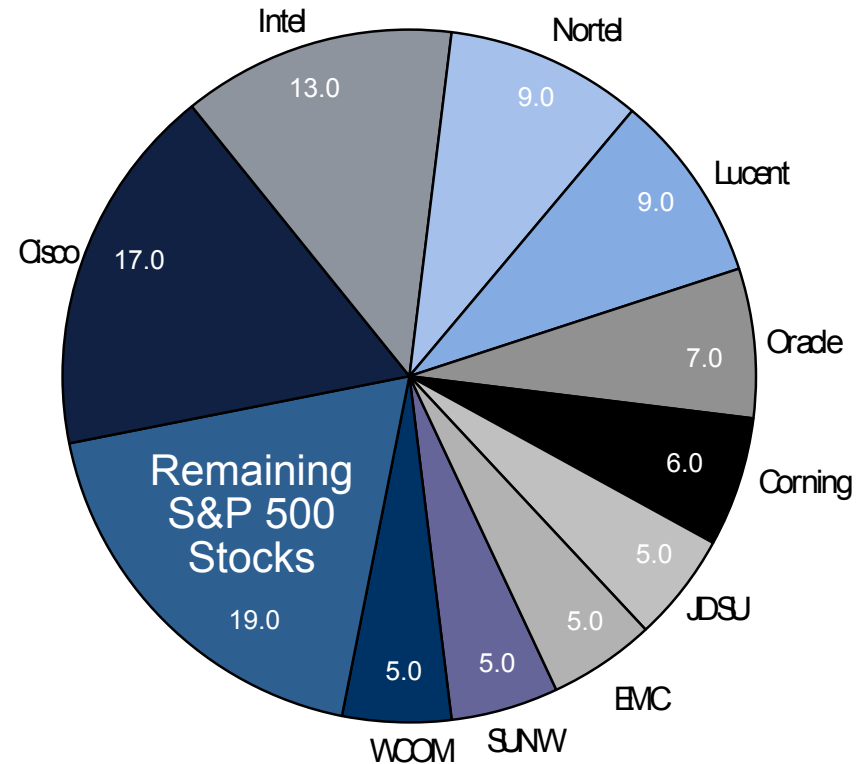
(6/30/2000 – 6/30/2001)

Top 10 Detractors
Accounted for

82%

of S&P 500 Losses

$$\text{Contribution} = \frac{\text{Market Cap Gains}}{\text{S\&P 500 Market Cap Gains}}$$



*No divisor adjustments applied; static, beginning-period cap weight used.
Source: Wilshire Assoc.*

Large Growth Companies Drive Index Performance

S&P 500 — Top 10 Detractors 6/30/2000 - 6/30/01

Company Name	Ticker Symbol	Begin Weight	Total Return	Performance Contribution	P/E* Beginning	
Cisco Systems	CSCO	3.5	-75.1	-2.52	163.0	-
Intel	INTC	3.6	-60.6	-1.98	55.2	24.8
Nortel	NT	1.9	-79.4	-1.40	37.9	14.8
Lucent Tech.	LU	1.6	-82.1	-1.34	258.0	34.5
Oracle Systems	ORCL	1.5	-64.4	-1.01	49.4	41.3
Corning	GLW	0.6	-31.6	-0.83	141.3	31.5
JDS Uniphase	JDSU	-	-20.1	-0.81	-	-
EMC Corp.	EMC	1.3	-76.9	-0.80	142.5	37.0
Sun Micro.	SUNW	1.2	-60.9	-0.74	92.8	28.1
WorldCom	WCOM	1.0	-84.4	-0.70	40.7	9.7
Hewlett Packard	HWP	1.0	-66.2	-0.53	28.7	21.8
Top 10 Detractors (excl. JDSU)			17.2		-12.1	Avg P/E 101.0x
Top 11 Detractors Subtotal			17.2		-12.7	
S&P 500					-14.8%	
Top 11 Detractors as a % of S&P Performance					82%	

* Excludes stocks with negative P/E ratios

By Wilshire Atlas Based on Monthly Data

Data as of 6/30/01

How We Managed the Bubble

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Our Approach to the Bubble

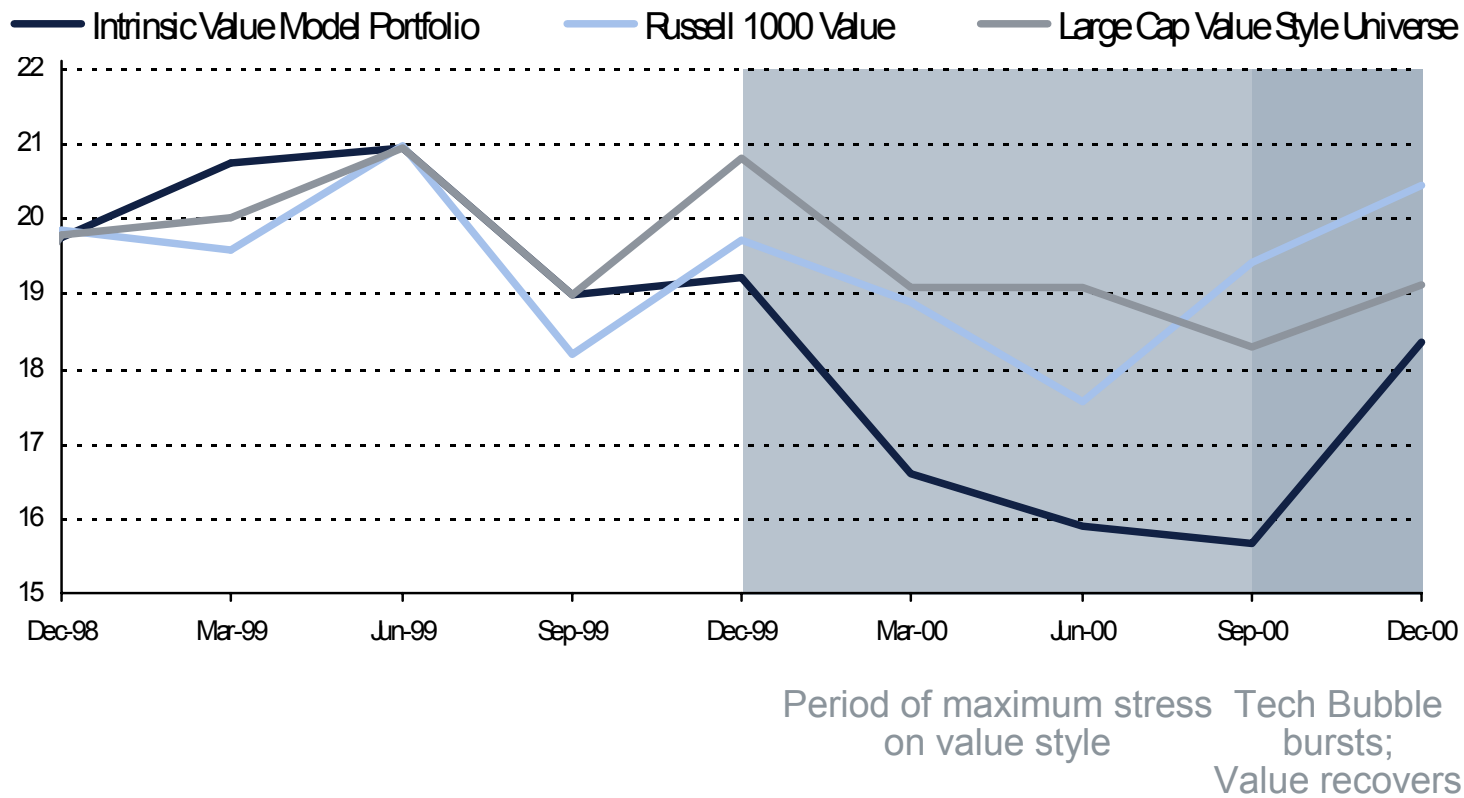
- ▶ Balanced sector research commitment
- ▶ Overall portfolio position and performance
- ▶ Technology sector investing

Sector Teams

- ▶ Communications
- ▶ Consumer
- ▶ Energy & Utilities
- ▶ Finance
- ▶ Health
- ▶ Industry
- ▶ Media
- ▶ Software & Semiconductors
- ▶ Tech. Solutions

At Height of Tech Bubble, We Dove Deeper into Value...

Comparison of P/E ratios



Source: Callan Associates

...And Our Redoubled Commitment Was Vindicated

Comparison of Cumulative Performance

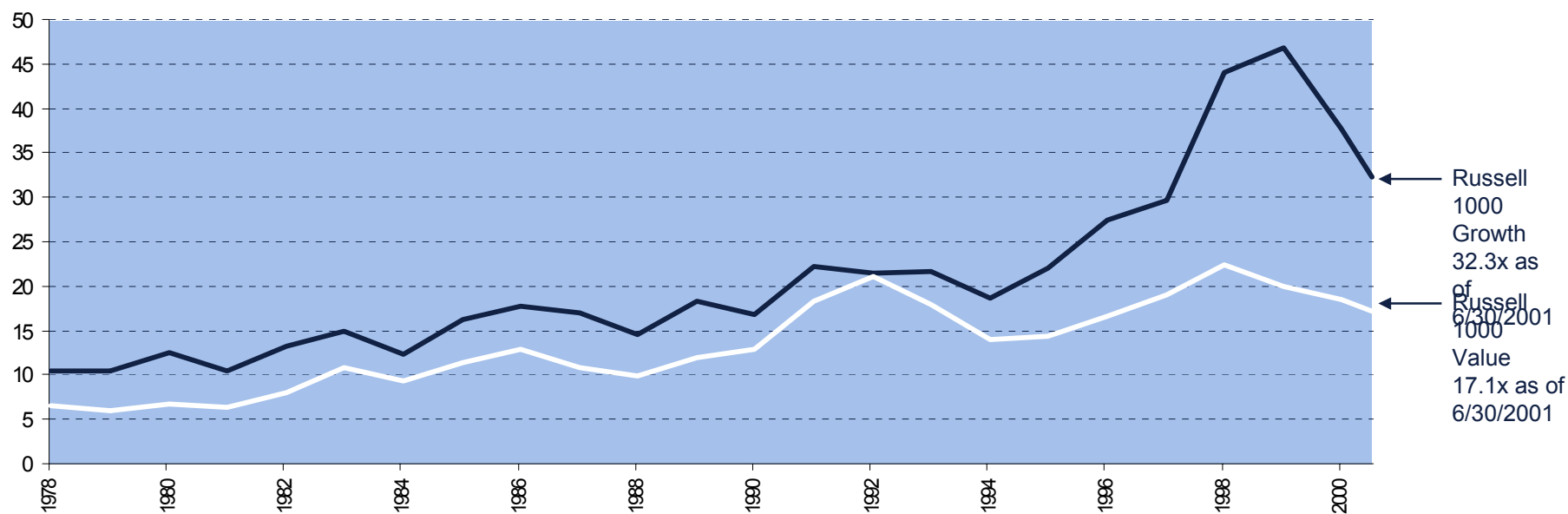
Quarter Ended	OpCap Intrinsic Value Composite	Russell 1000 Value Index	Large Cap Value Universe Median Return	
03/31/1999	2.3	1.4	-0.3	
06/30/1999	11.6	12.9	13.6	
09/30/1999	1.4	1.8	-0.4	
12/31/1999	5.7	7.4	-0.3	
03/31/2000	3.1	7.9	-2.6	Period of maximum stress on value style
06/30/2000	1.4	2.8	-1.5	
09/30/2000	6.7	10.9	8.4	
12/31/2000	18.0	14.9	16.9	Tech Bubble bursts; Value recovers
03/31/2001	16.1	8.1	13.7	

*Performance data reflect cumulative returns for the period 1/1/99 to 3/31/01
Source: Callan Associates*

Gap in Valuations Remains Wide

Russell 1000 Growth P/E vs. Russell 1000 Value P/E

Data as of June 30, 2001



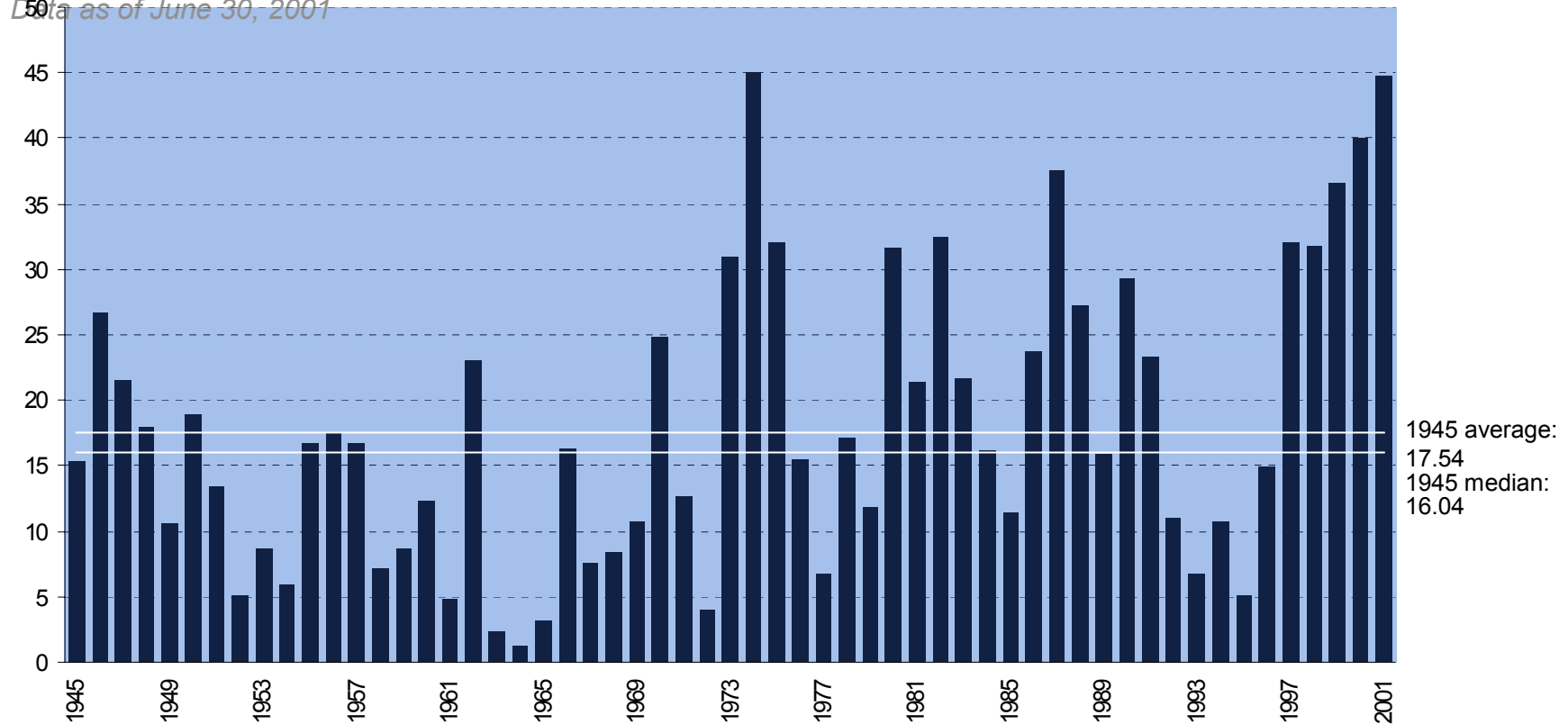
While valuation levels for both indices are historically expensive, the P/E spread between value and growth remains wide

Source: Frank Russell Co.

Equities as Volatile as Ever

Percentage of trading days since 1945 with at least a 1% price movement in S&P 500

Data as of June 30, 2001



Increased volatility creates opportunity to capitalize on short-term mispricings

Performance Drivers

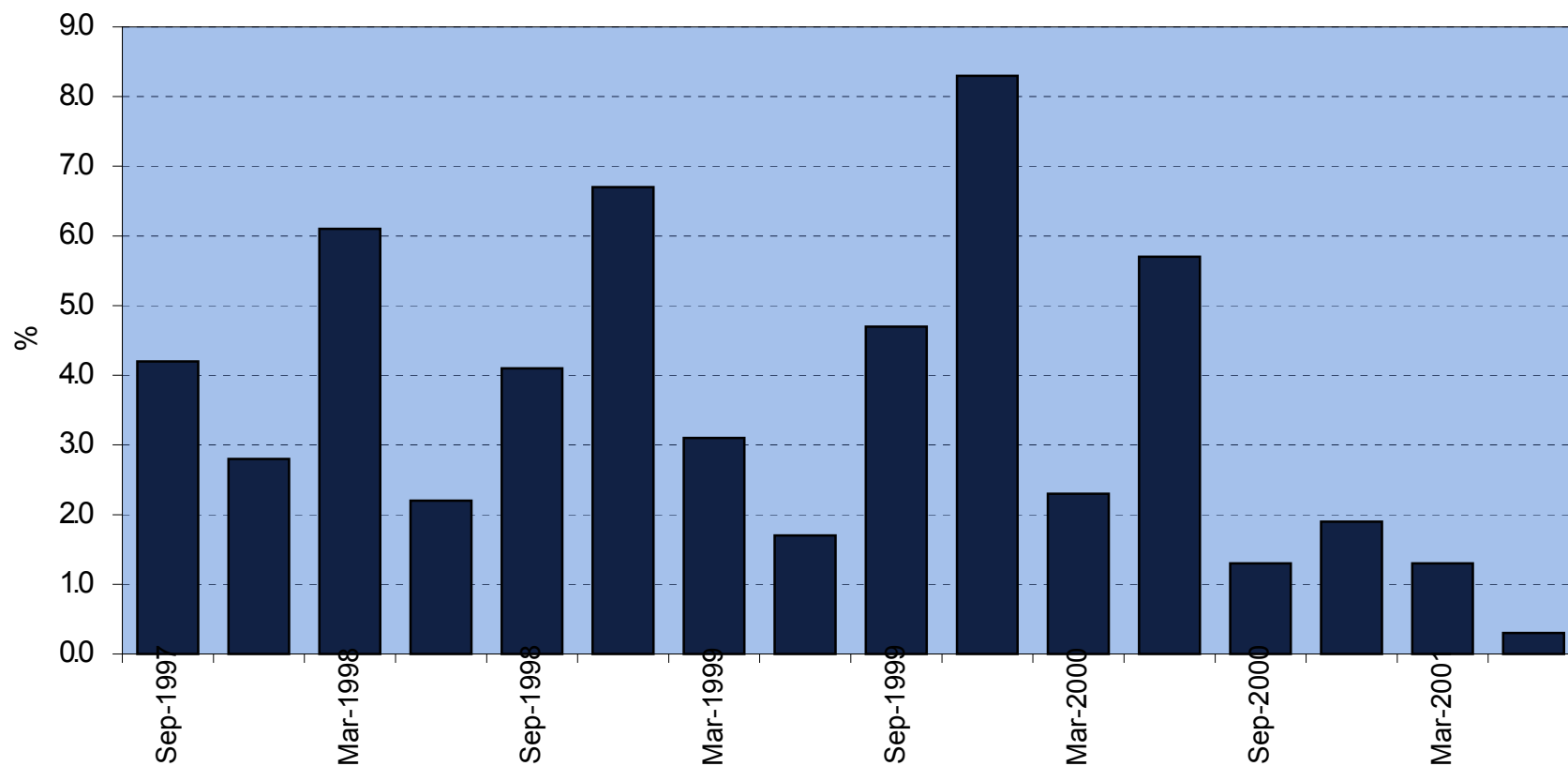
As of September 30, 2001

- ▶ Sept. 11 tragedies take toll on economy, markets
 - ▶ All major U.S. stock indices sharply lower
 - ▶ 15% drop in broad market is most severe quarterly loss since 1987 crash
 - ▶ Threat of political, military actions weigh on markets
- ▶ Pre-existing trends were negative
 - ▶ With corporate profitability already in decline, S&P earnings fall more than 20% during quarter
 - ▶ Spiraling job cuts compounded by airline layoffs
 - ▶ Consumer spending, previously keeping economy afloat, now at risk
- ▶ Government responds swiftly
 - ▶ Fed cuts interest rates to add liquidity to nervous economy
 - ▶ Additional unanticipated cuts extend easing cycle to unusually low rate levels
 - ▶ Spending of \$150 billion proposed to aid in cleanup, stimulate economy
- ▶ Stock picking remains key to performance
 - ▶ No clear trends in equity markets
 - ▶ Individual opportunities exist to own attractive companies at compelling valuations

U.S. Economy Slows

Quarterly percentage change in Gross Domestic Product

As of September 30, 2001

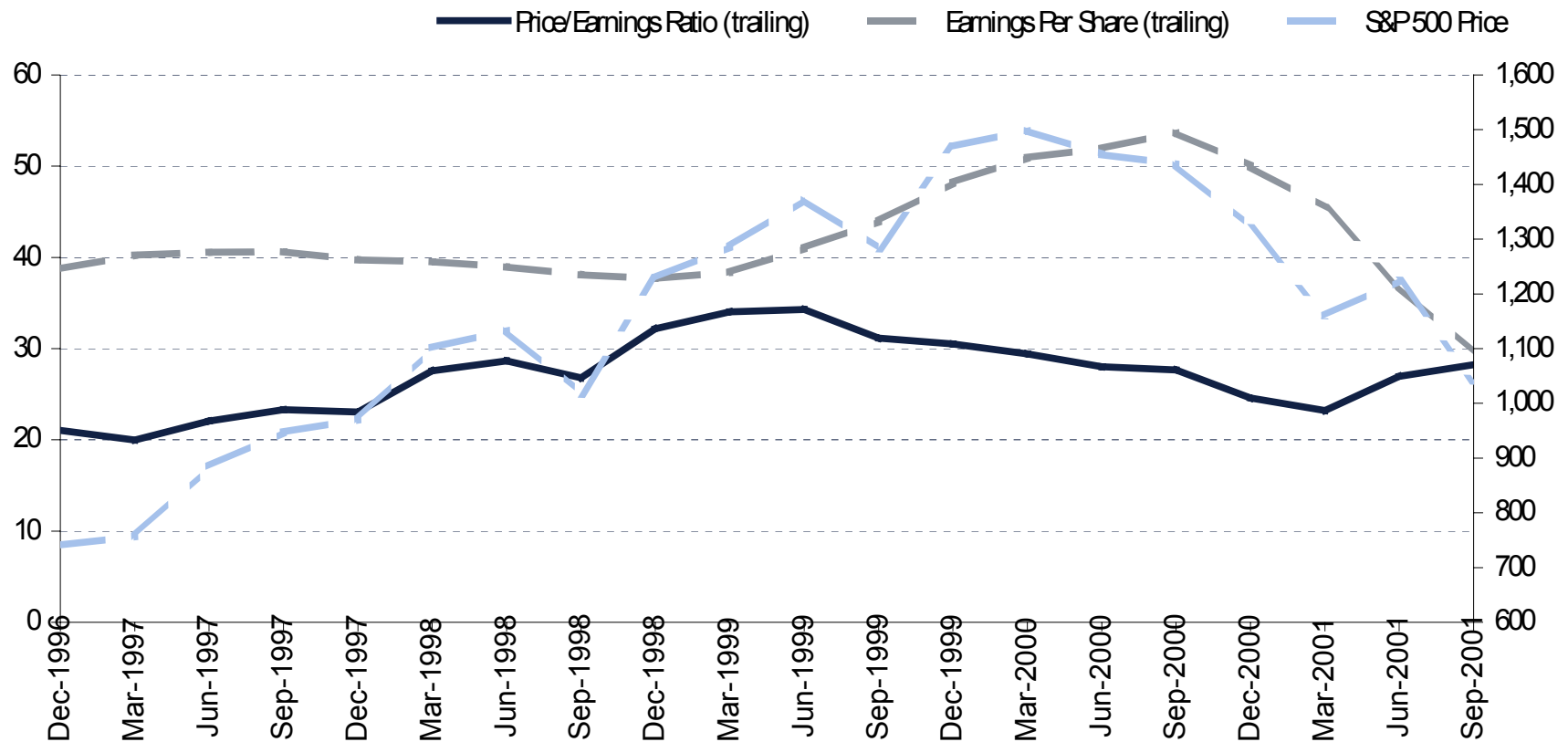


Source: Dow Jones

Earnings Declines Keep Valuations High

Despite lower prices, stocks are still expensive

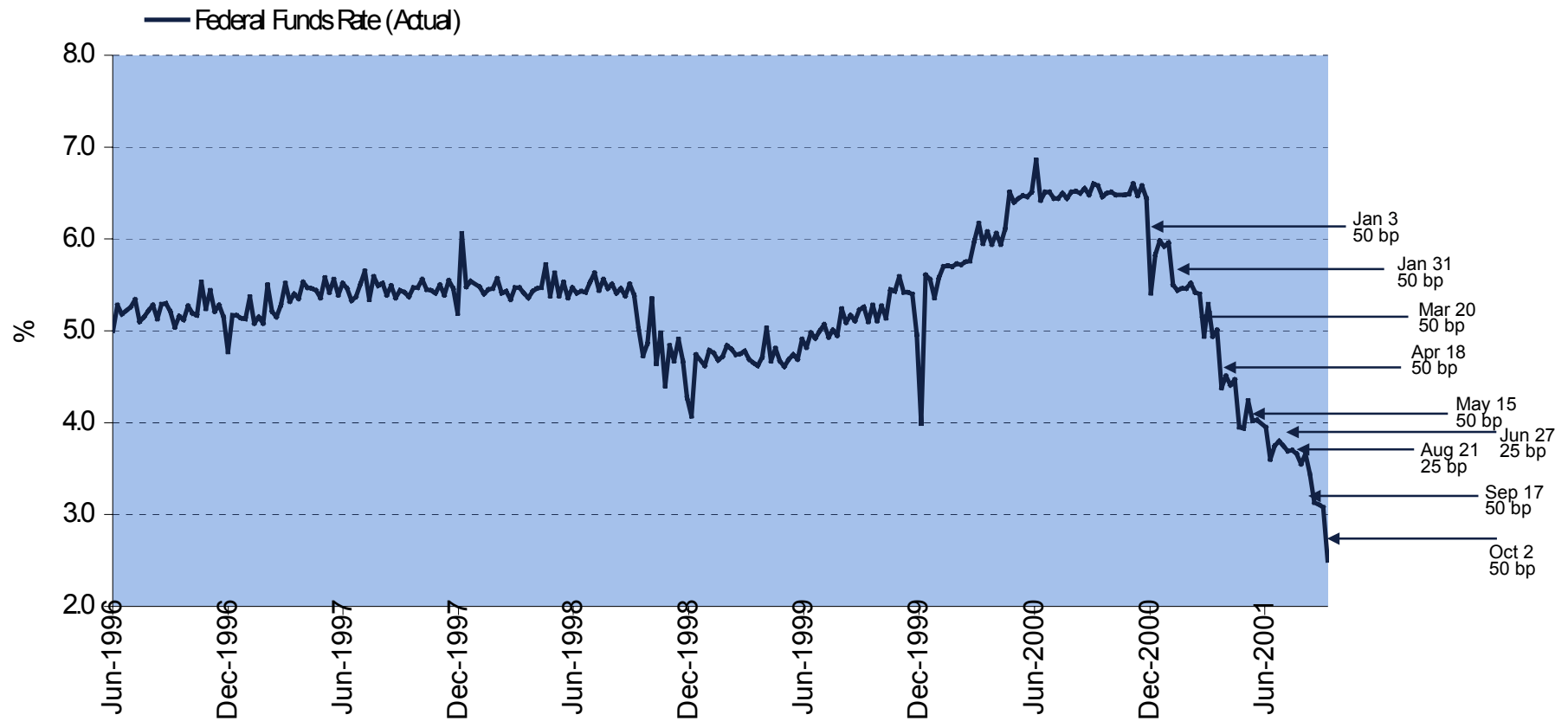
As of September 30, 2001



Source: StockVal

Fed Cuts Interest Rates Aggressively

Monetary easing, previously thought to be winding down, stepped up following Sept. 11

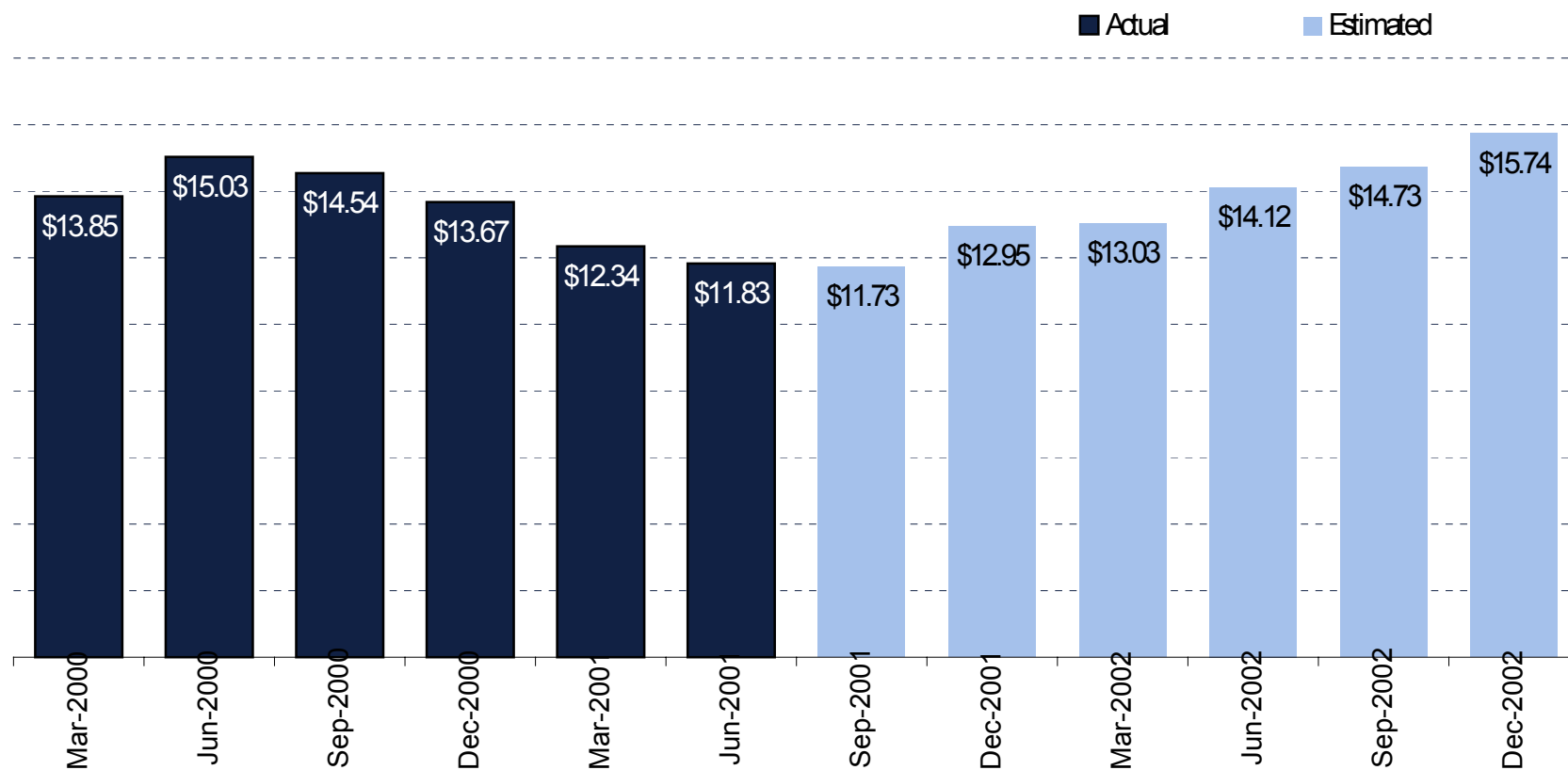


Source: StockVal

Consensus Earnings Forecasts Predict Rebound

Quarterly profit outlooks for S&P 500 constituents

As of September 30, 2001

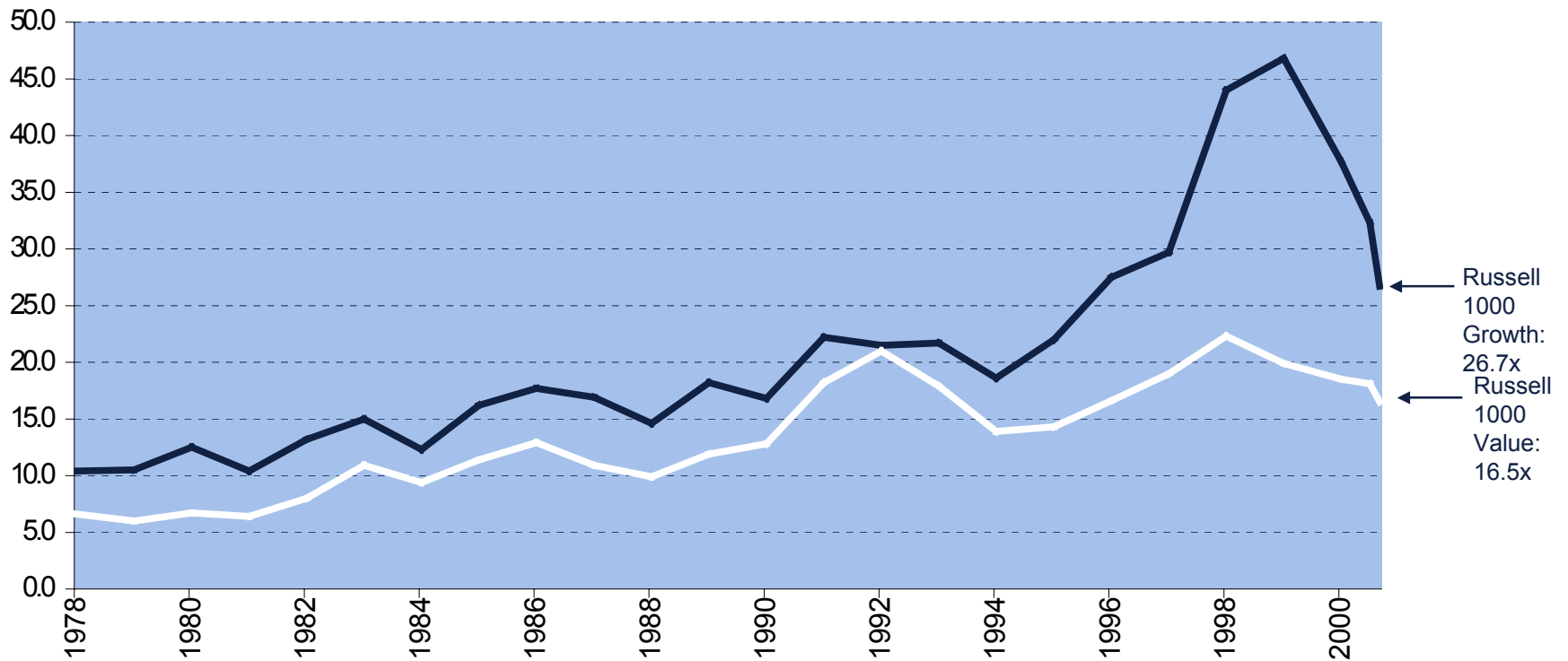


Source: Thomson/First Call

Gap in Valuations Remains Wide

Russell 1000 Growth P/E vs. Russell 1000 Value P/E

As of September 30, 2001

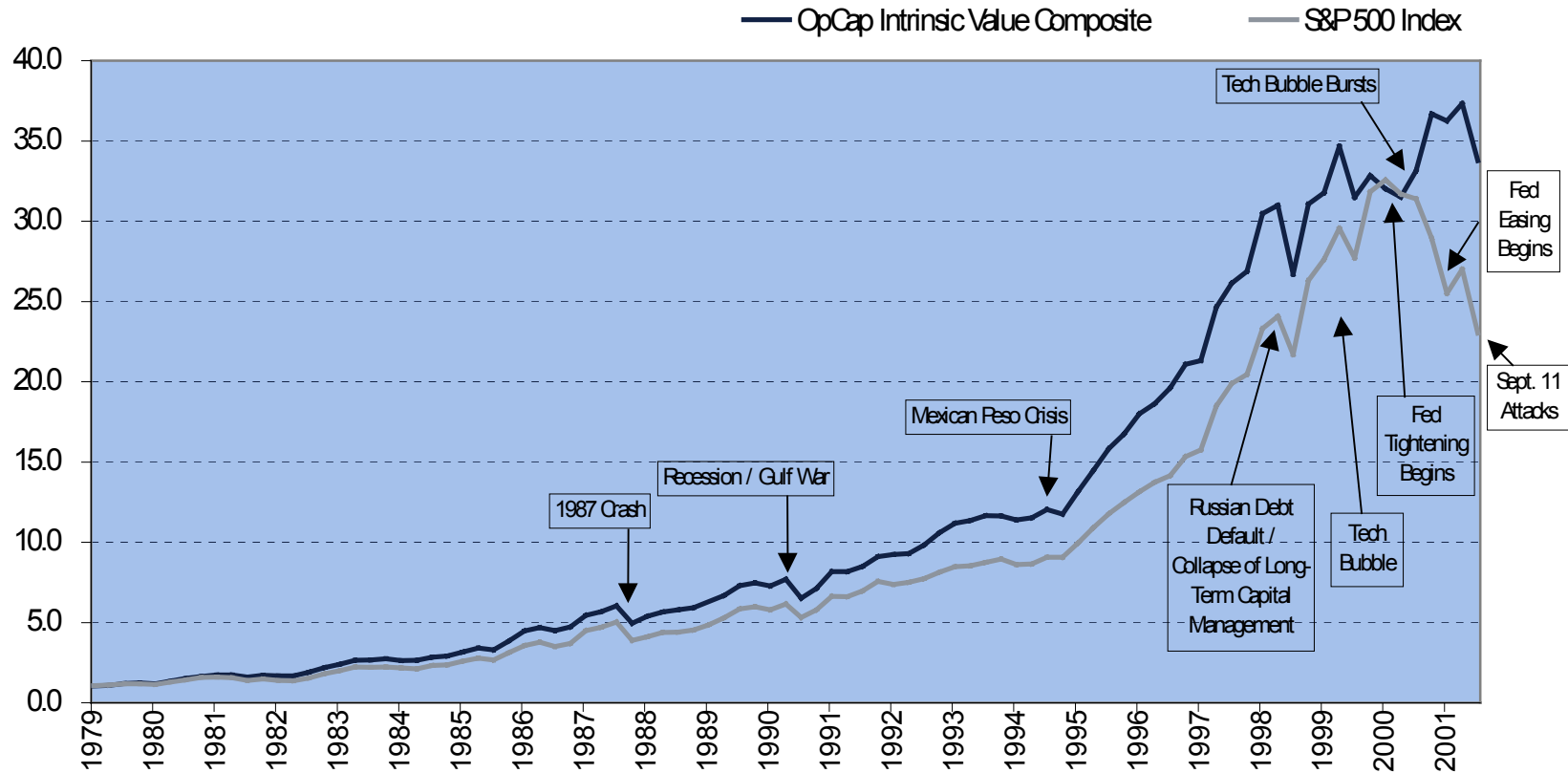


Source: Frank Russell Co.
Excluding negative earnings.

Historical Performance Comparison

Unit values over time

As of September 30, 2001



Conclusions

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Summary

- ▶ **Consistent Philosophy**
Research-driven, intrinsic-value investment philosophy has remained unchanged since our inception
- ▶ **Responsive Process**
Investment process is flexible enough to achieve investment success in a variety of market conditions
- ▶ **Superior Performance**
Our approach generates risk-adjusted returns that have surpassed both the value and broad-market indices over the long term

Looking Ahead

- ▶ Stage set for market, economic recovery
 - ▶ Central banks worldwide are lowering interest rates
 - ▶ Fiscal stimulus and income tax relief are forthcoming
 - ▶ Trading likely to be extremely volatile as news unfolds
 - ▶ Political, military developments pose unquantifiable risk
- ▶ Telecoms positioned for continued favorable performance
 - ▶ Long-distance operating trends nearing a trough
 - ▶ Cash-flow crunch is easing for many telecoms
 - ▶ Industry consolidation on the way, as confirmed by news of AT&T's sale talks
- ▶ Outlook strong for many financials
 - ▶ Valuations are more compelling than usual at this stage of an easing cycle
 - ▶ Stocks likely to benefit from government actions
 - ▶ When done to reverse course following excessive monetary easing, rate hikes historically do not hurt financials
- ▶ Conditions favor OpCap investment approach
 - ▶ Traditional success in choppy conditions and after major market dislocations
 - ▶ Many individual opportunities to profit from high-quality companies available at attractive valuations