

# OFI Institutional | Discovery Small Cap Growth

## Investment Professionals:

**Ronald Zibelli, Jr., CFA**  
Portfolio Manager

## Strategy AUM:

Composite: \$20 million  
(The OFI Institutional investment team managing the Discovery Small Cap Growth strategy for OFI Institutional Asset Management, Inc. also manages additional assets in the strategy for OppenheimerFunds, Inc. and other affiliated entities.)

OppenheimerFunds, Inc. Retail Mutual Fund (all share classes): \$1.2 billion

**Composite Inception:**  
10/31/06

OppenheimerFunds, Inc. Retail Mutual Fund  
Inception: 9/11/86

## Benchmark:

Russell 2000® Growth Index

## Number of Holdings

Range: 90–110

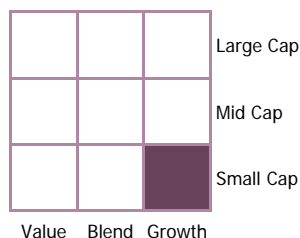
## Estimated Turnover:

100–125% (per annum)

## Estimated Tracking Error:

500–700 bps (full market cycle)

## Investment Style:



## Investment Philosophy

We believe strong long-term returns come from investing in well-managed businesses with leading market positions that generate sustainable, above-average growth rates.

## Investment Process

We employ a disciplined, style-pure approach designed to exploit inefficiencies inherent in small caps by investing in industry-leading firms that are in structurally attractive businesses with strong management teams. The investment team primarily invests in common stocks of high quality, small-cap growth companies with above-average growth rates, strong balance sheets, and sustainable competitive advantages in innovative products or services. We seek those companies that exhibit these characteristics and those companies that we believe are well-positioned to outperform over time.

### Quantitative Screens

- Filter the investment universe seeking companies with:
- Market capitalizations of \$200 million to \$3 billion
  - Annual earnings growth of >15% and double-digit revenue growth
  - Consistency, momentum and earnings surprises

### Quality Assessment

Seek high quality companies characterized by high growth metrics

- Industry leadership
- Market share growth
- High caliber management teams
- Sustainable competitive advantages
- Strong growth themes or new product cycles

*Examine investment universe seeking well-managed businesses with leading market positions that are generating above average growth*

~ 500 Businesses

### In-depth Research

Identify best opportunities using fundamental analysis

- Attractive valuations
- Sustainable margins and high ROE/ROA
- Sound capital management
- Low debt/equity ratios
- Identify company-specific risks

*Meet one-on-one with management teams to assess growth opportunities, strategic outlook and company-specific risks*

~ 350 Businesses

### Portfolio Construction

Seek to build a well-diversified portfolio across sectors, industries and securities

- Style-pure, small-cap exposure
- Low turnover relative to peers; buy and hold approach
- Conviction without concentration – well-balanced portfolio
- Limit sector over/underweights

~ 90-110 Businesses

### Sell/Trim Discipline

- Change in dividend policy
- Change in fundamentals
- Valuation concerns
- Maintain diversification

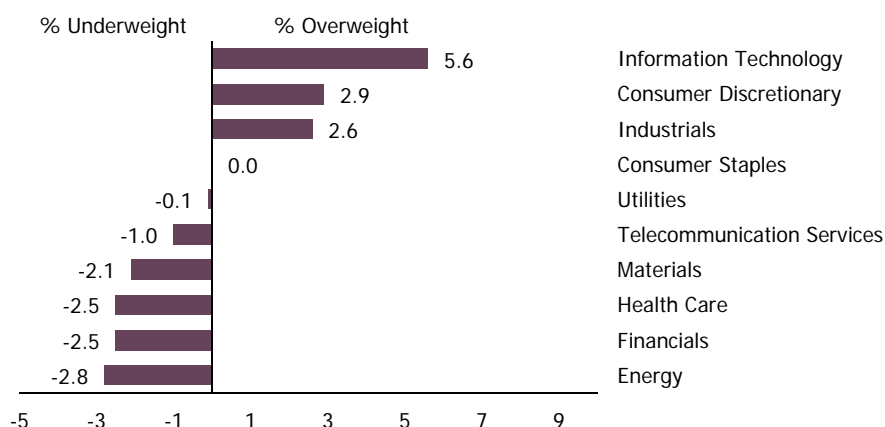
## Distinct Advantages

- Our focus is centered on two investment tenets consisting of high quality growth and sound portfolio construction that is designed to provide upside participation with downside protection
- Buy and hold approach helps to improve performance potential over time and lower overall transaction costs
- Managed by one of the industry's most experienced portfolio managers, bringing over 29 years of history within this asset class
- Deep investment team of 4 dedicated analysts that is further supported by 12 other growth investment professionals

# OFI Institutional | Discovery Small Cap Growth

As of December 31, 2011

## Sector Allocation vs. Index



	Representative Portfolio (%)	Index (%)
Information Technology	28.7	23.1
Consumer Discretionary	17.2	14.3
Industrials	19.1	16.5
Consumer Staples	4.2	4.2
Utilities	0.0	0.1
Telecommunication Services	0.0	1.0
Materials	2.0	4.1
Health Care	17.5	20.0
Financials	5.3	7.8
Energy	6.0	8.8

## Portfolio Characteristics

	Representative Portfolio	Index
Number of Holdings	100	1,162
P/E Ratio (Trailing 12 Months)*	25.2x	19.0x
Price/Book Ratio	3.8x	3.0x
Return on Equity (ROE)	13%	10%
Debt to Capital	26%	31%
EPS Growth Rate (3 Year)	41%	43%
Sales Growth Rate (3 Year)	18%	15%
Turnover (Trailing 1 Year)**	102.8%	-
Weighted Average Market Cap	\$2.2B	\$1.4B
Median Market Cap	\$1.8B	\$0.5B
Cash	2.6%	-

\*Earnings excludes negative earnings. \*\*In accordance with the SEC definition, portfolio turnover is calculated by dividing the lesser of purchases or sales of portfolio securities by the monthly average total value of the portfolio during the reporting period.

## Ten Largest Holdings

Name	Sector	Representative Portfolio (%)	Index (%)
Elizabeth Arden Inc	Consumer Staples	2.0	0.1
HMS Holdings Corp	Health Care	2.0	0.5
Acacia Resrch Acacia Tech	Industrials	1.9	0.3
Robbins & Myers Inc	Industrials	1.9	0.0
The Ultimate Software Grp	Information Technology	1.8	0.3
Aspen Technology Inc	Information Technology	1.7	0.3
Synchronoss Technologies	Information Technology	1.7	0.1
Gardner Denver Inc	Industrials	1.7	0.0
Ulta Salon Cosmetics & Fr	Consumer Discretionary	1.7	0.0
Cardtronics Inc	Information Technology	1.7	0.2
<b>Total Weight %</b>		<b>18.1</b>	<b>1.8</b>

SUPPLEMENTAL INFORMATION. For disclosures, please see the last page of this report.

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As of December 31, 2011

## Performance Comparison (%)

Historical Performance	4Q 2011	YTD 2011	1 Year	Annualized		
				3 Years	5 Years	Since Inception (10/31/06)
<b>Discovery Small Cap Growth Composite (gross-of-fees)</b>	<b>8.82</b>	<b>2.61</b>	<b>2.61</b>	<b>19.21</b>	<b>5.97</b>	<b>6.18</b>
Russell 2000® Growth Index	14.99	-2.92	-2.92	19.01	2.09	2.44
<i>Relative Return</i>	<i>-6.17</i>	<i>5.53</i>	<i>5.53</i>	<i>0.20</i>	<i>3.88</i>	<i>3.74</i>
<b>Discovery Small Cap Growth Composite (net-of-fees)</b>	<b>8.59</b>	<b>1.75</b>	<b>1.75</b>	<b>18.23</b>	<b>5.08</b>	<b>5.30</b>
Russell 2000® Growth Index	14.99	-2.92	-2.92	19.01	2.09	2.44
<i>Relative Return</i>	<i>-6.40</i>	<i>4.67</i>	<i>4.67</i>	<i>-0.78</i>	<i>2.99</i>	<i>2.86</i>

## Performance Statistics\*

	Composite
Alpha	4.00
Information Ratio	0.53
Sharpe Ratio	0.21
Beta	0.85
R <sup>2</sup>	0.92
Standard Deviation	21.95
Tracking Error	7.34

\*Based on 5-year, monthly, gross-of-fees returns

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# OFI Institutional | Discovery Small Cap Growth

As of December 31, 2011

## Performance Analysis by Sector

Contribution to Total Return

Sectors	Total Variance (%pts)	Average Weight (%)		Total Return (%)	
		Representative Portfolio	Index	Representative Portfolio	Index
Information Technology	+0.36	28.1	23.4	16.5	14.7
Telecommunication Services	+0.05	0.0	1.1	0.0	11.0
Utilities	+0.00	0.0	0.1	0.0	13.0
Financials	-0.01	5.0	7.7	9.6	12.0
Energy	-0.49	5.8	8.6	25.5	28.3
Materials	-0.50	2.8	4.2	-4.0	14.7
Industrials	-0.91	18.9	16.3	14.9	20.7
Consumer Discretionary	-0.94	17.0	14.6	7.0	12.1
Consumer Staples	-1.05	4.4	4.3	-10.5	6.9
Health Care	-1.95	17.8	19.7	1.5	11.3
<b>Total</b>	<b>-6.2</b>	<b>100.0</b>	<b>100.0</b>	<b>+8.8</b>	<b>+15.0</b>

## Performance Analysis by Security

Contribution to Total Return

10 Strongest	Weighted Excess Return (% pts)	Average Weight (%)		Total Return (%)	
		Representative Portfolio	Index	Representative Portfolio	Index
SuccessFactors Inc	+0.51	0.8	0.5	72.8	74.0
Healthspring Inc	+0.42	1.1	0.3	49.5	49.7
The Ultimate Software Grp	+0.36	1.7	0.3	39.3	41.3
NetSuite Inc	+0.34	1.4	0.2	50.1	51.3
OSI Systems Inc	+0.34	1.4	0.1	45.5	46.2
Robbins & Myers Inc	+0.33	1.7	0.0	40.0	0.0
Brigham Exploration Co	+0.28	0.6	0.0	44.3	0.0
HMS Holdings Corp	+0.26	1.7	0.4	31.2	32.3
Kodiak Oil & Gas Corp	+0.25	0.6	0.3	33.3	89.9
Elizabeth Arden Inc	+0.23	1.7	0.1	30.2	32.1
<b>10 Weakest</b>					
Diamond Foods Inc	-1.63	0.9	0.2	-65.1	-59.3
Cooper Companies Inc	-0.70	1.2	0.0	-10.9	0.0
Polypore International	-0.68	1.5	0.0	-22.2	0.0
Volcano Corp	-0.36	0.8	0.2	-19.7	-18.3
Catalyst Health Solutions	-0.36	1.1	0.0	-9.9	0.0
DexCom Inc	-0.35	0.3	0.1	-40.8	-21.8
IPG Photonics Corp	-0.35	0.9	0.0	-22.0	0.0
Acme Packet Inc	-0.34	0.5	0.0	-26.7	0.0
Cepheid	-0.33	1.1	0.4	-11.4	-9.4
Allied Nevada Gold Corp	-0.32	1.0	0.0	-15.4	0.0

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## Disclosure Statements

As of December 31, 2011

	2011	2010	2009	2008	2007	Nov-Dec 2006
Discovery Small Cap Growth Composite Return (Gross %)	2.6	28.7	28.2	-38.1	27.4	2.0
Russell 2000® Growth Index Return (%)	-2.9	29.1	34.5	-38.5	7.0	2.1
Discovery Small Cap Growth Composite Return (Net %)	1.7	27.7	27.2	-38.6	26.3	1.9
# Portfolios	1	2	1	1	1	1
Standard Deviation of Composite Full Period Returns (Gross %)	na	na	na	na	na	na
3-Year Annualized Ex-post Standard Deviation of Monthly Returns	Composite (Gross %)	20.4	24.6	22.5	na	na
	Benchmark (%)	24.7	28.1	25.2	na	na
Composite Assets (\$ mil)	20	29	16	12	20	16
OFII Assets (\$ mil)	4,039	5,199	7,870	6,956	12,752	10,192

OFI Institutional Asset Management, Inc. ("OFII") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. OFII has been independently verified for the periods January 1, 2003 through December 31, 2010. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

OFII is an SEC-registered investment adviser and a subsidiary of OppenheimerFunds, Inc. ("OFI"). OFII provides advisory services and offers various institutional investment products to institutional clients, including defined benefit and defined contribution retirement plans, foundations, endowments, corporations, and other investment advisers. OFII personnel who provide advisory, trading, and other services may be employed by OFII, OFI or an OFI affiliate. Effective January 1, 2004, OFII's GIPS Firm definition changed to reflect the consolidation of the assets of OFII's subsidiaries and investment management teams since the inception of OFII in 1999 when OFI purchased Trinity Investment Management Corporation.

The OFII Discovery Small Cap Growth Composite includes every fully representative portfolio managed in the Discovery Small Cap Growth strategy. The strategy focuses on high quality growth companies exhibiting sustainable growth, above-average long-term earnings growth, quality management, and attractive valuations. Securities holdings are generally selected from the U.S. equity market (although foreign equity securities can be held), regardless of a security's membership in the benchmark index, with an emphasis on companies with market capitalizations below \$3 billion at time of purchase. Certain securities may constitute a significant portion of the portfolio resulting in security and sector weightings that may differ from those of the benchmark index. The Composite was created in November 2006.

The Composite gross-of-fee returns shown include the reinvestment of income and the impact of transaction costs, but do not include the deduction of investment advisory fees or any other account expenses, such as custodial fees. Composite net-of-fee returns are calculated by deducting a model investment advisory fee (using the maximum investment advisory fee as determined by the product's fee schedule) from the Composite gross-of-fee returns. OFII's advisory fee rates are set forth in Part 2A of its Form ADV, which is available upon request. Annual fees for the Discovery Small Cap Growth product are 0.85% on the first \$25 million under management, 0.75% on the next \$25 million, and 0.60% on any additional amount. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. While actual portfolios incur transaction expenses, pay investment advisory fees, and may incur other account expenses, the benchmark index is shown without the impact of such charges.

A list of OFII's composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available on request. All data are in U.S. dollars. Realized performance results vary substantially based on the period measured. The performance data quoted represents past performance, which does not guarantee future results. Returns for periods less than a full year are not annualized.

The Russell 2000® Growth Index is a trademark/service mark of the Frank Russell Company. The Russell 2000® Growth Index represents Russell 2000® Index companies (an index of the smallest 2,000 companies within the Russell 3000® Index of the 3,000 largest U.S. companies) with higher price-to-book ratios and higher forecasted growth rates. The index is unmanaged; includes only U.S. companies; is market-value weighted; includes reinvestment of dividends; is shown for illustration only; and cannot be purchased directly by investors. Benchmark index returns are not covered by the report of independent verifiers.

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### Additional Disclosures:

OFII's Discovery Small Cap Growth strategy is managed by Ronald Zibelli, who has managed the Fund since May 2006. OFII Discovery Small Cap Growth portfolios are managed using substantially the same investment strategy and guidelines as used for the Fund. However, the supplemental performance shown for the Fund is not the performance of OFII and does not represent, and is not a substitute for, the performance of OFII. It should not be assumed that OFII will achieve the same future performance as the Fund. There are differences between the management of separate accounts and mutual funds, including fees, the relative size, cash flows and the ability of clients to impose restrictions. These differences may result in differences between the performance of separate accounts as compared to the performance of the Fund even though the same investment strategy is employed.

Sector weights, portfolio characteristics, ten largest holdings, and performance attribution information constitutes supplemental information for purposes of GIPS. The information shown is derived from a representative account deemed to appropriately represent this management style. Each investor's portfolio is individually managed and may vary from the information shown.

A description of the methodology used to calculate the performance attribution and a full list showing the contribution of all securities to the overall performance of the representative account during the indicated time period are available upon request.

Sectors are based on Global Industry Classification Standard (GICS®) methodology, which was developed by Morgan Stanley Capital International (MSCI) and Standard & Poor's (S&P).

The specific securities identified are not representative of all of the securities purchased, sold or recommended for advisory clients. It should not be assumed that an investment in the securities identified was or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed.