

March 31, 2011

Oppenheimer  
**Global Strategic  
Income Fund**

Management  
Commentary  
and  
Semiannual  
Report

**MANAGEMENT COMMENTARY**

An Interview with Your Fund's Portfolio Managers

**SEMIANNUAL REPORT**

Listing of Top Holdings

Financial Statements



**OppenheimerFunds®**  
The Right Way to Invest

### How did Oppenheimer Global Strategic Income Fund perform over the six months ended March 31, 2011?

A. Despite rising long-term interest rates in the United States, a sovereign debt crisis in Europe, natural disasters in Japan and political uprisings in the Middle East, the Fund's Class A shares (without sales charge) produced a cumulative total return of 3.30% during the period. By comparison, the Barclays Capital U.S. Aggregate Bond Index returned -0.88% and the Citigroup World Government Bond Index (the "Index") returned -1.11%. The Fund produced higher returns than its benchmarks, primarily due to strong results from corporate bonds that gained value in recovering U.S. and global economies. Global fixed-income securities, on average, however, were under pressure during the reporting period due to the above mentioned confluence of global events.

### What were the most significant macroeconomic influences on the Fund's results over the reporting period?

A number of dramatic events transpired during the reporting period, and we were impressed by the resilience of the domestic and global economies and financial markets in the midst of these developments. First, a new round of quantitative easing of monetary policy by the U.S. Federal Reserve provided greater confidence that the U.S. economy was unlikely to slip back into recession. Long-term U.S. interest rates climbed over the final months of 2010 as investors began to look forward to stronger growth, eroding the value of U.S. Treasury securities. Conversely, high yield corporate bonds continued to gain value in anticipation of better business conditions and lower default rates.

Second, a sovereign debt crisis continued to weigh on the economies of some of Europe's smaller economies, as Portugal joined Greece and Ireland in the ranks of nations requiring intervention. Yet, despite the austerity budgets many nations adopted in response to these ongoing debt problems, Europe's economic recovery remained on track, and expectations intensified that the European Central Bank would begin to raise rates to forestall a potential acceleration of inflation. Consequently, longer-term bond yields in the region generally rose and prices fell.

Third, a wave of political unrest in North Africa toppled entrenched regimes during the first quarter of 2011, and the resulting uncertainty sent crude oil prices sharply higher. Although higher energy costs could spark an acceleration of inflation, emerging market bonds denominated in U.S. dollars produced positive absolute returns over the reporting period due to robust investor demand for higher yielding securities. Emerging market bonds denominated in local currencies also produced positive results, but generally fared less well as a result of rising rates.

Not part of the semiannual report to Fund shareholders

Finally, later in the reporting period, the earthquake, tsunami and nuclear disasters in Japan disrupted the world's second largest economy and are expected to affect industries in other nations that rely on Japanese exports, such as the U.S. automobile industry. Although the financial markets encountered heightened volatility immediately after the disaster in early March, they subsequently rebounded amid resiliently optimistic investor sentiment.

### **How was the Fund managed in this eventful environment, and how did various strategies affect its performance?**

The Fund received especially robust results from U.S. high yield corporate bonds, which traditionally have provided a degree of protection from rising interest-rates. The reporting period was no exception, and the Fund's high yield holdings benefited when the economic recovery gained traction. Higher-yielding market sectors, such as forest products, fared particularly well. The Fund also benefited from an allocation to senior floating-rate bank loans, through its investment in Oppenheimer Master Loan Fund, LLC, which historically have tended to do well in rising interest-rate environments.

Among U.S. government securities, the Fund favored mortgage-backed securities guaranteed by U.S. government agencies over lower yielding U.S. Treasury securities. Indeed, mortgage-backed securities fared well over the reporting period, contributing positively to the Fund's relative performance. The Fund also received positive results from its investments in commercial mortgage-backed securities that were purchased in part using loans from the U.S. government under its Term Asset-Backed Securities Loan Facility (TALF). The Fund exited its TALF-related positions during the fourth quarter 2010.

As has been the case for some time, the Fund's international investments focused more on bonds in the emerging markets than in developed markets. Both of these tilts produced favorable results during the reporting period, including especially strong contributions to relative performance from dollar-denominated corporate bonds in Russia, Ukraine and Brazil, as well as from sovereign bonds in Argentina. The Fund's investments in emerging market bonds denominated in local currencies focused on longer-duration securities in markets where inflation-adjusted yields remained relatively high, such as Brazil, South Africa, Mexico and, to a lesser extent, Turkey. The Fund's very limited exposure to troubled peripheral euro zone nations provided the Fund with some defensive strength and the ability to add selectively to the group as warranted; nevertheless, exposure to foreign developed market debt was a drag on overall performance.

Not part of the semiannual report to Fund shareholders

## **What is your outlook for the foreseeable future, and how is the Fund currently positioned?**

While we remain cautiously optimistic regarding the prospects of global fixed-income markets, we believe that selectivity will become a more important determinant of investment success. As the global economy moves to the next phase of its cycle, we expect longer-term bond yields to rise in most sovereign debt markets. The corporate sector should offer better opportunities for current income and potential price appreciation as business conditions continue to improve, and we also have identified attractive opportunities among residential and commercial mortgage-backed securities.

*Please remember that bonds are exposed to credit and interest rate risks (when interest rates rise, bond/fund prices generally fall). Mortgage-related securities have greater potential for loss when interest rates rise. The Fund may invest in below-investment-grade ("junk") bonds, which are more at risk of default and are subject to liquidity risk. The Fund invests in foreign securities, which entail special risks (such as currency fluctuations and political factors) and may have higher expenses and volatility. Emerging and developing market investments may be especially volatile. The Fund also invests in derivative instruments, investments whose values depend on the performance of an underlying security, asset, interest rate or currency and entail potentially higher volatility and risk of loss compared to traditional stock or bond investments. Diversification does not guarantee profit or protect against loss.*