



## Fourth Quarter 2009 Commentary

Oberweis Asset Management, Inc.  
Small-Cap Opportunities Fund (OBSOX)  
Fourth Quarter 2009 Commentary

**We are pleased to report strong results for both the fourth quarter and full year of 2009. In the fourth quarter, the Oberweis Small-Cap Opportunities Fund appreciated 6.19% versus 4.14% for the benchmark Russell 2000 Growth Index. For the full year, we are pleased to report excellent performance, with the Fund returning 63.49% versus 34.47% for the Russell 2000 Growth Index. The Fund earned 205 basis points of excess return in the fourth quarter and 2902 basis points of excess return for the full year. We appreciate your support and confidence following a challenging year in 2008 for investors in high growth stocks. We believe that a steady, disciplined approach toward investing tends to reward patient investors over time. The past two years may offer the best proof of that thesis.**

### The Year and Quarter in Review

Growth was the stronger style during 2009, with the Russell 2000 Growth Index exceeding the performance of the Russell 2000 Value Index by 1,389 bps for the year. This performance comes on the heels of a prolonged value cycle that was punctuated by the severe valuation contraction of 2008. How extreme was this value-led cycle throughout much of the 2000's? From March 31, 2000 through the end of 2008, the Russell 2000 Value Index outperformed the Russell 2000 Growth Index by an astounding 1,255 bps annualized. While the jury is still out, we believe the odds increasingly suggest that we have finally transitioned to a new growth-oriented style cycle. As we have indicated many times in the past, this would be a very good situation, as our investment style tends to perform particularly well in periods in which growth outperforms value. Periods in which economies emerge from recession tend to favor growth stocks and we believe that the Fund is ideally positioned should our thesis prove accurate.

Strong stock selection and our growth-focused investment style drove favorable performance for the full year of 2009. Relative outperformance in 2009, with respect to sector attribution, was driven by technology, healthcare, and consumer staples. Healthcare added 1,760 bps to the Fund's excess return. Technology added 777 bps to the Fund's excess return. The Fund's technology stocks returned 79.19% for the year versus 60.78% for the benchmark. Lastly, consumer staples added 503 bps of excess return.

### Outlook 2010: Don't Assume that the Party Is Over

In just one year, investors went from fearing deflation to fearing inflation. The U.S. Dollar, as measured by the Bloomberg US Dollar Index, returned -4.1% for the year. The greenback rose sharply in the first quarter, but fell by even more over the final three quarters of 2009. Inflation concerns have clearly surfaced, as evidenced by a 24.3% increase in the price of gold in 2009 and a steeper interest rate yield curve. The difference between 2-year and 10-year treasury yields hit a new record of 281 basis points during the last week of 2009, which implies that investors in longer term bonds are requiring an increasing yield premium to lock money up for longer periods of time, presumably because of the fear that inflation will eat away at nominal yields over time.

We believe that 2010 has above-average potential to be another good year for small-cap growth equities. In contrast to 2009, when cheap valuations drove our bullish conviction, our 2010 optimism stems from anticipated money flow from bonds to equities. In short, way too much money has flowed into bonds in this risk-averse world. Bill Gross's PIMCO Total Return Bond Fund broke the record on December 17th as the largest mutual fund in history with \$202.5 billion in assets. It's not terribly surprising considering the backdrop. We just finished the worst decade ever for stocks in more than 200 years of market history, with the S&P 500 Index returning -1.0% annualized over the last 10 years. It was one of very few decades over which stocks lost money. In comparison, bonds returned an average of 5-8% annually, depending

on the sector. It should come as no surprise that bond funds are at record asset levels. Investors chase returns (and run from losses).

We believe that periods of quantitative easing (a really fancy term for printing money) tend to be inflationary. Periods of massive easing (or printing boatloads of money) tend to be very inflationary. Mark our words: Inflation is coming and owners of long-term bonds will lose money. We believe that as bond returns begin to languish, money will flow from bonds to stocks, which tend to be more resilient in times of inflation. A relatively benign increase in investor appetite for stocks can make a surprisingly significant difference in stock prices, and we believe this may begin to play out in 2010. We also believe that higher inflation expectations in the U.S. will put enormous pressure on the Chinese to allow the Yuan to appreciate against the dollar. We expect to see the value of the Yuan rise by 5% or more in 2010.

Can a period of accelerating inflation combined with only modest economic growth be good for small-cap stocks? History says yes. During the period of stagflation in the mid-late 1970's (and following the 1973-74 bear market), small-cap growth companies adapted quickly and their stocks fared far better than the broader market overall. According to Ibbotson & Associates, Small Company stocks returned 40.4% annualized from the end of 1974 through the end of 1980, a period in which inflation ranged between 4.8% and 13.3% per year. While each case is somewhat different, and no one can predict the future with certainty, we believe that the odds are high that small-cap growth stocks will perform better over the next decade than they did over the last.

### Organization Update

There were no changes in the team at Oberweis Asset Management.

### Oberweis Asset Management's Investment Philosophy

We believe that investing in rapidly growing small companies in the early stages of their growth cycles results in superior investment performance over long periods of time. We believe that innovation is the key to economic growth and wealth creation and are committed to investing in companies at the forefront of innovation – smaller company stocks that offer the potential for extraordinary revenue and earnings growth.

For over 20 years, we have focused exclusively on these companies, seeking opportunities where rapid change is driving growth and the potential for superior investment results over the long-term. Our time-tested and proprietary Oberweis Octagon is a specific research framework that allows us to quickly identify and understand the companies driving innovation in the global economy.

The entrepreneurial spirit is alive and well at these companies. Many are nimble and uniquely address the needs of their customers with patented new products and services. Successful investing, however, demands more than finding companies with good growth prospects. We must also buy these stocks for our clients at prices that make sense. We call our approach to investing AGARP---aggressive growth at a reasonable price. By paying careful attention to companies' valuations in relation to expected earnings growth rates, we seek to purchase stocks when they still have considerable appreciation potential.

## Growth Equity Investing

James W. Oberweis, CFA  
President, Co-Portfolio Manager

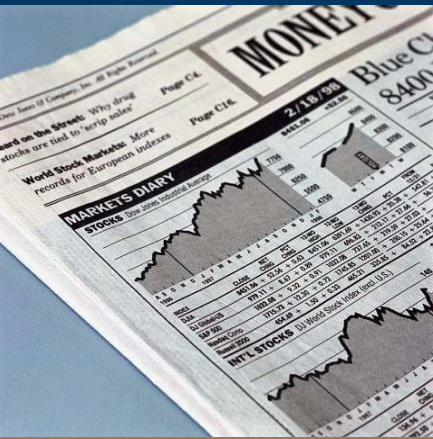
Ken Farsalas, CFA  
Director of U.S. Equities,  
Co-Portfolio Manager



# Oberweis Small-Cap Opportunities Fund (OBSOX) Fourth Quarter 2009

Investing in Small-Cap growth companies in the expansionary phase of their lifecycle.

## Oberweis Asset Management, Inc.



### Key Benefits

The Small-Cap Opportunities Fund invests at least 80% of its net assets in the securities of companies with a market capitalizations less than 8 billion at the time of investment. The Small-Cap Opportunities Fund helps investors capitalize on the exceptional growth potential of rapidly growing emerging companies still in the expansionary phase of their lifecycle. These small-sized companies tend to have a greater degree of earnings stability than typically associated with smaller companies.

The key benefits of the Small-Cap Opportunities Fund are:

- Unique, style-consistent investment approach allows us to target exceptionally fast-growing small-cap stocks
- Emphasizing rapidly growing small-cap companies expected to have exceptionally high revenue and earnings growth at a reasonable price/earnings to growth rates
- Moderate to low turnover through long-term investment horizon
- Monitors exposure to industry sectors and specific securities to manage risk
- Fully invested — no market timing
- Low historical correlation to the market (S&P 500)
- Investment process produces a risk controlled, disciplined and repeatable strategy
- Strategy intended to outperform the Russell 2000 Growth Index by 300 basis points net of fees

**Minimum Investment:** \$1,000

The Oberweis Funds invest in rapidly growing smaller and medium sized companies which may offer greater return potential. However, these investments often involve greater risks and volatility. There is no guarantee that the portfolios can achieve their objectives.

For more information  
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## Oberweis Asset Management, Inc. – Advisor to The Oberweis Funds

Recognized as a leading small-cap stock specialist, Oberweis has been helping institutional investors manage their assets prudently and effectively for many years. Our key investment professionals include:

**James W. Oberweis, CFA**  
President, Co-Portfolio Manager (Principal)



- Holder of the Chartered Financial Analyst (CFA) designation
- MBA, University of Chicago
- Over 14 years of investment experience

**Kenneth S. Farsalas, CFA** Director of U.S. Equities, Co-Portfolio Manager (Principal)



- Holder of the Chartered Financial Analyst (CFA) designation
- MBA, University of Chicago
- Over 15 years of investment experience

**David I. Covas, CFA**  
Portfolio Manager (Principal)



- Holder of the Chartered Financial Analyst (CFA) designation
- MBA, University of Chicago
- Over 12 years of investment experience

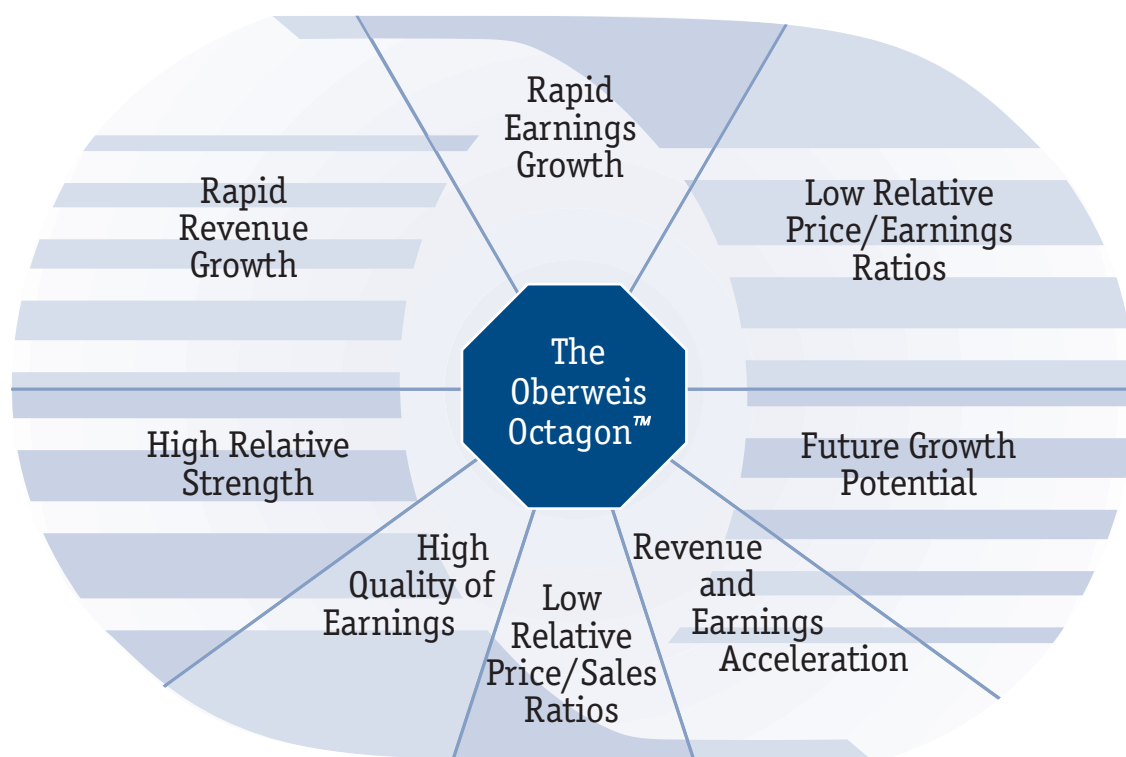


## The Oberweis Octagon™

A unique blueprint for success

Our unique, highly disciplined investment approach includes a series of eight criteria to focus our research efforts. Beginning with a universe of approximately 14,000 companies, we select only those with the potential for exceptional growth. These companies must be profitable in the most recently reported quarter and have:

1. Rapid Revenue growth
2. Rapid Earnings growth
3. Price/earnings ratio no greater than the company's rate of growth (12 month fwd P/E)
4. Products or services offering the potential for extraordinarily rapid and sustained growth
5. Ideally, the company should be experiencing revenue and earnings acceleration
6. Reasonable price/sales ratio
7. High quality of earnings
8. High relative strength





## Oberweis Small-Cap Opportunities Fund Characteristics

(as of December 31, 2009)

Source: Baseline

	Oberweis Small-Cap Opportunities Fund (OBSOX)	Russell 2000 Growth Index
Number of Stocks	66	1,275
Weighted Market Capitalization (in millions)	\$1,216	\$1,094
Median Market Capitalization (in millions)	\$756	\$437
2009 Price to Earnings Ratio (estimated)	72.6x	44.2x
2010 Price to Earnings Ratio (estimated)	24.8x	25.4x
Long-Term Future EPS Growth Rate (estimated)	20%	17%
2009 P/E to Growth Rate Ratio (estimated)	3.7x	2.5x
2010 P/E to Growth Rate Ratio (estimated)	1.3x	1.5x
Dividend Yield	0.2%	0.6%
Price to Book Ratio	3.4x	3.0x
Price to Cash Flow Ratio	26.7x	16.2x
Price to Sales Ratio	1.9x	1.2x
Long-Term Debt to Total Equity	14.0%	20.0%
Return on Equity	5.0%	5.9%
Net Profit Margin	2.9%	2.4%
Cash Position	0.9%	N/A
Portfolio Turnover (2009)	212%	N/A



## Oberweis Small-Cap Opportunities Fund Sector Weightings

(as of December 31, 2009)

Source: Baseline

	Oberweis Small-Cap Opportunities Fund (OBSOX)	Russell 2000 Growth Index
Consumer Discretionary	20.3%	18.2%
Consumer Staples	3.3%	3.6%
Energy	4.6%	4.0%
Financial Services	2.7%	7.6%
Health Care	21.8%	24.1%
Materials & Processing	2.5%	4.3%
Producer Durables	14.6%	12.9%
Technology	28.2%	23.6%
Utilities	1.1%	1.7%
Cash	0.9%	N/A
Total	100.0%	100.0%

Sector Weightings as a % of Total Net Assets



## Oberweis Small-Cap Opportunities Fund Ten Largest Equity Holdings

(as of September 30, 2009)

Source: Baseline

Company Name	Percentage	Line of Business
1. Human Genome Science	5.7%	Develops, manufactures and markets protein and antibody drugs
2. STEC Inc.	4.5%	Designs, manufactures & markets custom and open-standard memory solutions based on Flash memory or DRAM technologies
3. Alpha Pro Tech	3.5%	Develops, manufactures and markets a line of high-value protective apparel and consumer products
4. Starent Networks Corp.	3.2%	Provides wireless infrastructure hardware and software products and services
5. Illumina, Inc.	2.5%	Provides tools for genetic variation analysis
6. Genoptix Inc.	2.4%	Delivers clinical diagnostic services to hematologist/oncologist physician customers
7. Pegasystems, Inc.	2.2%	Leader in Business Process Management (BPM) software solutions
8. Ipc The Hospitalist Company, Inc.	2.1%	Provides physician practice management solutions
9. ArcSight, Inc.	2.1%	Provides security & compliance mgmt software solutions
10. Athenahealth, Inc.	2.0%	Provider of internet-based business services

Top 10 Holdings as a % of Total Net Assets

Portfolio Holdings are subject to change at any time. References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable.

## Oberweis Small-Cap Opportunities Fund Total Returns

(as of December 31, 2009)

	Quarter	Annualized			
		1-Year	3-Year	5-Year	10-Year
Oberweis Small-Cap Opportunities Fund (OBSOX)	6.19%	63.49%	-7.32%	-1.36%	-5.52%
Russell 2000 Growth Index	4.14%	34.47%	-4.00%	0.87%	-1.37%

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate, so that you may have gain or loss when shares are sold. Current performance may be higher or lower than quoted. Visit us online at [oberweisfunds.com](http://oberweisfunds.com) for most recent month-end performance. Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations.

The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted earnings growth rates. Each index is an unmanaged group of stocks, whose performance does not reflect the deduction of fees, expenses or taxes.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. To obtain a copy of the prospectus please visit our website at [oberweisfunds.com](http://oberweisfunds.com) or call 800-323-6166. Read it carefully.

The Oberweis Funds are distributed by Oberweis Securities, Inc. Member: FINRA & SIPC.



## Growth of \$10,000 invested

9/15/96 (with income reinvested)

