Oberweis
Asset Management

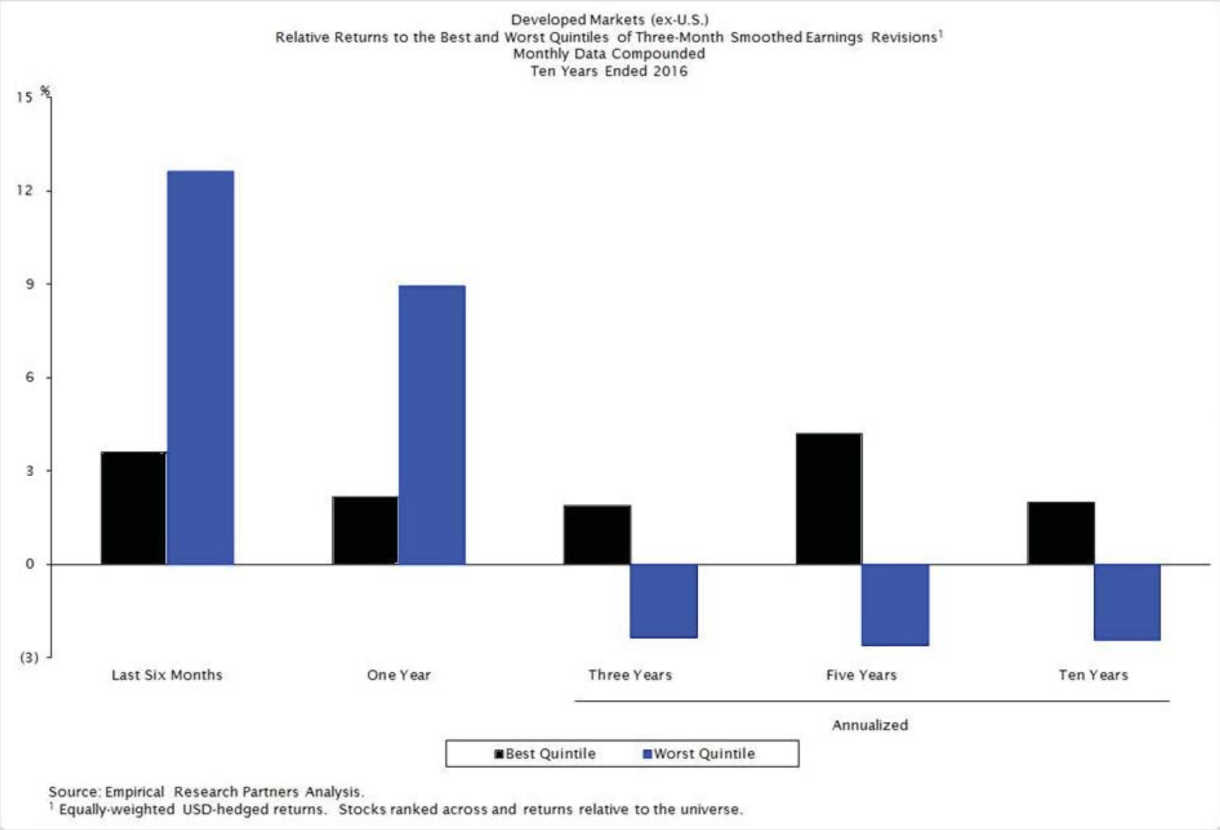
INTERNATIONAL OPPORTUNITIES STRATEGY

4Q 2016

The Year and Quarter in Review

The surprising victory by Donald Trump in the US Presidential election set off an unexpected rally in global equity markets to end the year, led by the US. In the last two months of 2016, the S&P 500 Index returned 5.7% while the MSCI World Ex-US Index returned 1.7%. Furthermore, from the date of the election through year-end, the US dollar rose over 4% as Trump-led economic optimism fueled investor confidence that an environment conducive to pro-business policy and tax reform would stimulate growth and cause US interest rates to rise at a faster-than-anticipated pace. Non-US equity investors faced a double headwind. The marginal preference amid global investors for US equities increased, while - at the same time - appreciation of the US dollar relative to other currencies reduced the value of foreign assets in US-dollar terms. After the election, the British Pound, Euro and Canadian dollar all depreciated. The Japanese Yen, which had appreciated approximately 17% during the first ten months of 2016, reversed course after the election and proceeded to depreciate nearly 17%. While a difficult period for international funds, it is worth noting that the premium valuation afforded to US equities implies that a lot of good news has already been discounted. From here, any misstep by Mr. Trump seems likely to dampen global investors' love affair with US equities.

For the year, the Oberweis International Opportunities Composite returned -3.97% (-4.99% net of fees) versus 0.86% for the MSCI World ex-US Small Cap Growth Index in 2016. In the fourth quarter, the Composite returned -7.47% (-7.76% net of fees) versus -5.34% for the benchmark. While we are not pleased with the short-term performance, we have seen such periods in the past and find it relatively straightforward to understand when one considers the style factors that have driven recent equity returns for our universe. Consistent with our philosophy and history, our process is focused on companies undergoing misunderstood positive fundamental changes, which are often evidenced by positive earnings surprises and earnings revisions. Most of the time, such characteristics are rewarded by the market. In 2016, however, the market preferred companies with characteristics such as low absolute price-to-book multiples much more than companies with positive earnings revisions.



The Year and Quarter in Review (continued)

The review of 2016 performance can be summarized as follows: companies with positive earnings revisions, which are the main focus of our time-tested investment philosophy, underperformed as a style in 2016. According to Empirical Research Partners, throughout all of 2016, companies in the bottom quintile of earnings revisions (across all market caps within the developed world ex-US spectrum) outperformed those in the top quintile of earnings revisions by approximately 700bps. This trend was even more pronounced in the second half of 2016, with the bottom quintile of earnings revisions outperforming the top quintile of earnings revisions by about 900bps.

While one would intuitively expect companies who earn more than expected - and experience positive earnings revisions as a result - would outperform companies who merely meet or even fall short of expectations, this is not always the case in the short-term, because interest rates and economic cyclicality also play a role. This was the case in 2016, as many economically-sensitive companies which had underperformed in 2015 rebounded in 2016, without significant actual positive changes in their fundamentals, yet rallied with optimism that better economic times are on their way.

After periods in which our strategy has faced style headwinds, we have often seen above-average opportunities, as relative valuations tend to be better following periods of underperformance. We believe this to be the case today as well. Many of our portfolio companies experienced positive earnings revisions in 2016 and 2017 estimates, but did not experience corresponding stock price appreciation. On the flipside, more value-oriented equities did experience multiple expansion and are thus relatively more expensive than a year ago. In absolute terms, our portfolio's weighted-average P/E declined by over 25% year-on-year. While nobody knows what the future will bring, the last time we witnessed such a compression in the strategy's P/E was during 2011, which ended up being an unusually favorable time to invest in our International Opportunities strategy.

Since our philosophy involves being a high active share manager, we will have quarterly and yearly dispersions compared to the benchmark. This means that we expect that in the short-run some years will track ahead and some years behind, while earning a long-term average return well ahead of the index. We have accomplished that. Since inception on February 1st, 2007, the strategy has generated an annualized excess return of 769 basis points (653 basis points net of fees) relative to the benchmark, or 10.27% (9.11% net of fees) versus 2.58% annually. Cumulatively, the strategy has generated a strong absolute return of 163.73% (137.49% net of fees) compared to a return of 28.77% for the benchmark.

Outlook

As we enter 2017, the outlook for international equities remains mixed but the macroeconomic situation appears better than last year. In the Eurozone, inflation has started to show signs of improvement, with the highest Eurozone CPI reading in the last three years during December. PMI's across the European region have remained above 50 and have broadly come in better than expected. The U.K. has yet to see dramatic economic contraction despite the Brexit vote. At the micro level, European corporate aggregate earnings remain well below US corporate aggregate earnings despite high historical correlations. As a result, there is massive potential for an improvement in European earnings which does not seem currently priced into European shares which are trading in-line with long term averages. On the flip side, upcoming French, Dutch and German elections are likely to continue to add volatility especially if the rise of populism continues.

In Japan, we feel slightly better that less dramatic monetary actions from the Bank of Japan (BoJ), combined with higher US interest rates, should prevent the Yen from being as volatile as it was in 2016. Recent Japanese economic data also appears to be slightly improving, with the Japanese December PMI reaching the highest level in a year and fiscal spending appears likely to drive moderate growth in 2017. Valuations in Japan appear the most interesting among the major developed markets, trading at a slight P/E discount to long term averages.

With the US and China also showing broadly better than expected economic data over the last few months of 2016, the Citigroup Global Economic Surprise Index reached its highest level over the last four years. Given a slightly more positive economic global backdrop, the Bank of America/Merrill Lynch global earnings revision ratio reached the highest level in six years, led by Europe and Japan. The better global backdrop both on a macro and micro level should position our "relative to expectations" strategy favorably as we head into 2017.

Lastly, the core downside risk in 2017 revolves around the evolution of free trade, or lack thereof, given the recent election of protectionist leaders in both the US and Europe. We have already seen the Chinese Yuan and Mexican Peso depreciate dramatically, somewhat compensating for tighter future trading situations with the US. It remains yet to be seen what direction trade takes in the U.K. given trade deals will change post Brexit officially being evoked. On the positive side, it appears that future upside to growth could be created by fiscal stimulus plans around the world.

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Portfolio Highlights

At quarter-end, the portfolio was invested in 92 stocks in 17 countries. Our top five country weightings (portfolio weighting versus the MSCI World ex-US Small Cap Growth Index) at the end of the quarter were Japan (27.8% vs. 28.2%), the United Kingdom (15.5% vs. 15.2%), Canada (10.5% vs. 9.6%), France (8.6% vs. 4.2%), and Australia (7.0% vs. 6.0%). On a sector basis, the portfolio is overweight information technology (19.3% vs. 14.8%) and underweight real estate (2.2% vs. 5.4%).

COUNTRY ALLOCATION*
(As of December 31, 2016)

	International Opportunities	MSCI World ex-US Small-Cap Growth Index
Japan	27.8%	28.2%
United Kingdom	15.5%	15.2%
Canada	10.5%	9.6%
France	8.6%	4.2%
Australia	7.0%	6.0%
Switzerland	5.5%	3.8%
Sweden	4.9%	6.0%
China	3.0%	0.0%
Finland	2.7%	1.0%
Denmark	2.2%	1.4%
Germany	2.1%	6.0%
Italy	1.5%	3.7%
Spain	1.0%	2.8%
Hong Kong	0.0%	2.2%
Other Countries	4.9%	9.9%
Cash	2.8%	N/A
Total:	100.0%	100.0%

*Country Allocation is defined using MSCI's Country Classification methodology and represents countries whose allocation in the Strategy or Index is 2% or more. Country allocations representing less than 2% are categorized in "Other Countries". Country Allocation as a Percentage of total Net Assets. Source: Thomson Reuters Eikon

Key Benefits

The International Opportunities strategy seeks to identify and capitalize on the investment opportunities offered by smaller companies in Europe, the UK, Canada, Asia, Japan, and Latin America. The strategy focuses on identifying less well-known small-cap companies which traditionally receive less coverage than larger companies, consequently providing unique opportunities to unearth hidden values.

The potential key benefits of the International Opportunities strategy are:

- Diversified portfolio of smaller, non-U.S. companies with higher than expected earnings potential
- Combines empirically-proven Behavioral Finance principles with the very best of fundamental bottom-up research
- Access to attractive but lesser-known foreign companies that do not receive significant institutional coverage but possess higher than expected growth potential
- Achieve a more effective asset allocation, and greater long-term diversification of their portfolios through investments in non-U.S. equities
- Invests primarily in developed markets with some exposure to emerging markets
- Potential for significant alpha over a full market cycle

Minimum Account Size: $5 million for Institutional Account Management

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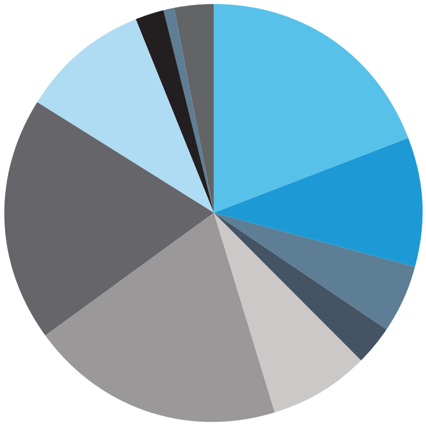
TOP TEN HOLDINGS *(as of December 31, 2016)*

	Company		Line of Business
1	Micro Focus International PLC	2.4%	Enterprise software provider
2	Just Eat PLC	2.2%	United Kingdom market leading online takeaway food platform
3	Logitech International S.A.	2.0%	Designs, manufactures and markets products that allow people to connect through music, gaming, video, and other digital platforms
4	Mitsui Chemicals, Inc.	1.9%	Leading Japanese petrochemical provider
5	Koito Manufacturing	1.8%	Manufacturer and seller of LED head lamps and other elecrical equipment in the transportation industry
6	Parex Resources, Inc/	1.8%	Canadian exploration and production oil company
7	Morinaga & Co. Ltd.	1.8%	Leading confectionary producer and marketer in Japan
8	Teleperformance SE	1.7%	International provider of outsourced call centers and customer management services
9	Japan Lifeline Co. Ltd.	1.7%	Japanese medical device manufacturer
10	Takeuchi Mfg Co. Ltd.	1.6%	Manufactures and sells construction machinery equipment

Top 10 holdings as a percentage 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. Source: Thomson Reuters Eikon

SECTOR WEIGHTINGS *(as of December 31, 2016)*

Consumer Discretionary	19.3%
Consumer Staples	10.1%
Energy	5.2%
Financials	2.9%
Health Care	7.8%
Industrials	19.7%
Information Technology	19.1%
Materials	10.0%
Real Estate	2.1%
Telecomm Service	0.0%
Utilities	1.0%
Cash	2.8%
Total	100.0%



Sector weightings as a % of Total Net Assets.

Source: Thomson Reuters Eikon used unless otherwise noted. Sector data based on MSCI's revised Global Industry Classification Standards. For more details, visit www.msci.com.

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AVERAGE ANNUAL TOTAL RETURNS *(as of December 31, 2016)*	**QTD**	**1 Yr**	**3 Yr**	**5 Yr**	**7 Yr**	**Since Inception 2/1/2007**
International Opportunities (gross of fees)	**-7.47%**	**-3.97%**	**2.93%**	**18.30%**	**15.16%**	**10.27%**
International Opportunities (net of fees)	**-7.76%**	**-4.99%**	**1.87%**	**17.16%**	**14.03%**	**9.11%**
MSCI World ex-US Small-Cap Growth Index	-5.34%	0.86%	1.80%	8.47%	7.36%	2.58%

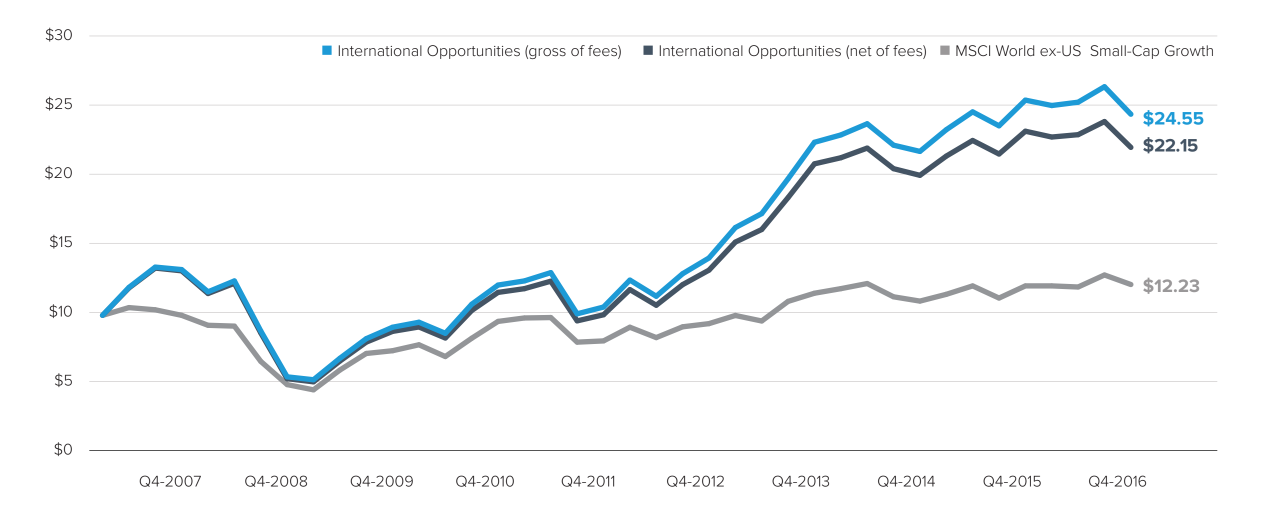
Oberweis Asset Management, Inc. ("OAM") is an independent investment management firm that is not affiliated with any parent organization. The composite returns are comprised of all fully discretionary accounts with a minimum value of $5 million. Performance results from 2-1-07 until 7-31-08, were derived solely from the performance of the Oberweis International Opportunities Fund, a registered, open-end mutual fund, for which OAM serves as investment adviser. Accounts are dollar-weighted within the composite and reported in U.S. dollars.

The MSCI World ex-US Small-Cap Growth Index (Net) is a free float-adjusted market capitalization weighted index that is designed to measure the performance of small cap growth developed markets excluding the U.S. with minimum dividends reinvested net of withholding tax.

Advisory fees are disclosed in Part II of Form ADV. Performance is historical and includes the reinvestment of dividends and other income. Past performance is not necessarily indicative of future results.

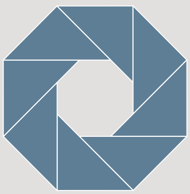
**Before investing, consider the fund's investment objectives, risks, charges, and expenses. To obtain a copy of the prospectus or summary prospectus containing this and other information, please visit our website at oberweisfunds.com or call 800-323-6166. Read it carefully before investing. The Oberweis 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. The Oberweis Funds are distributed by Oberweis Securities, Inc. Member: FINRA & SIPC.*

GROWTH OF $10,000 — WITH INCOME INVESTED ***(February 1, 2007 – December 31, 2016)***



The Oberweis Aperture

Our unique, highly disciplined investment approach includes a series of eight criteria to focus our research efforts.



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Oberweis Asset Management, Inc.

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

MEET THE TEAM