

# OBERWEIS INTERNATIONAL OPPORTUNITIES FUND (OBIOX)

1Q 2017

## AVERAGE ANNUAL TOTAL RETURNS (as of March 31, 2017)

	QTD	1 Yr	3 Yr	5 Yr	10 YR	Since Inception 2/1/2007	Expense Ratio*
<b>Oberweis International Opportunities Fund (OBIOX)</b>	<b>10.60%</b>	<b>6.35%</b>	<b>4.13%</b>	<b>14.92%</b>	<b>8.29%</b>	<b>8.87%</b>	<b>1.60%</b>
MSCI World ex-US Small-Cap Growth Index	8.46%	9.35%	3.59%	7.75%	2.87%	3.34%	

\* Expense ratio is the total net annualized fund operating expense ratio as of 12/31/16. The expense ratio gross of expense offset arrangements and expense reimbursement was 1.82% for OBIOX. Effective May 1, 2017 through April 30, 2018, Oberweis Asset Management, Inc., the Fund's investment advisor, is contractually obligated to reduce its management fees or reimburse OBIOX to the extent that total ordinary operating expenses exceed in any one year 1.60% expressed as a percentage of the Fund's average daily net assets, respectively. The annual expense ratio will reflect a blend of both the old and new expense reimbursement arrangements in effect for 2017.

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. 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](http://oberweisfunds.com) or call 800-323-6166. Read it carefully before investing. The Oberweis Funds invest in rapidly growing smaller and medium-sized companies that may offer greater return potential. However, these investments often involve greater risks and volatility. Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations. There is no guarantee that the Funds can achieve their objectives.

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.

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

## The Quarter in Review

Global markets rallied 6.38% during the first quarter of 2017 as measured by the MSCI World Index. On a global basis, bullish sentiment prevailed again this quarter amid economic data that shows improving global growth prospects. Global manufacturing indices remained at multi-year highs, with the Eurozone and China posting their best manufacturing readings in over five years despite continued geopolitical uncertainty. While tax reform and expectations for a pro-business climate in the U.S. dominated American headlines, equities in Europe quietly outperformed the U.S. this quarter, with the Euro Stoxx 600 Index returning 7.8% and constituents, on average, reporting year-on-year earnings growth of 12%. European earnings growth far outpaced the 5% growth reported by the S&P 500, likely attributable to high European operating leverage that magnifies profit growth as the global economy recovers. The Nikkei underperformed the global market returning 4.4% during the quarter. However, the Japanese Yen strengthened 4.8% as less confidence in President Trump's political agenda took hold after the initial failure to replace Obamacare.

Overall returns in the first quarter were favorable, both in absolute and relative terms. The Oberweis International Opportunities Fund returned 10.60% versus 8.46% for the MSCI World ex-US Small Cap Growth Index, an outperformance of 214 bps. After facing a style headwind in 2016 -- when companies with negative earnings revisions outperformed those with positive revisions -- investors returned again to focusing on fundamentals. Companies earning profits in excess of market expectations fared well during the first quarter. This "normalization" of investor behavior is critical to the success of our process and helped with our ability to generate outperformance for the quarter.

## Outlook

Consistent with last quarter's commentary, we continue to see a mixed bag in terms of our outlook for international markets. The underlying global growth environment remains relatively strong. Unemployment in some countries, such as Spain, Germany and Japan, is at multi-year lows, and private lending in the Eurozone is moving back into positive territory. While we expect macro data to remain solid, we are also cognizant of the potential for moderation in global manufacturing growth in the months to come, simply due to mean reversion over time. Additionally, tighter monetary policy could challenge growth as well. In addition to the potential for normalization of growth rates, another risk factor that continues to concern us is politics. International manufacturers remain subject to difficult-to-predict political externalities such as the proposed Border Adjustment Tax in the U.S., not to mention retaliatory responses by affected foreign counterparties, like China.

## Outlook (continued)

In terms of valuations, Europe still looks attractive relative to the U.S., with Barclays noting that European valuations were at the cheapest relative valuation to the U.S. since 1976. While aggregate earnings growth in Europe has lagged that of the U.S., since the global financial crisis, it appears that with the underlying pick-up in EU inflation the gap could narrow. Yet, investors still seem unconvinced that Europe is improving. Year-to-date fund flows to Europe have only been slightly positive and less than those to the U.S. Geopolitical fears remain at the forefront despite the liberal win in the recent Dutch election, which seems to have at least temporarily stemmed the rise of populism. The upcoming French and German elections will also be important gauges. A recent Merrill Lynch survey found that global investors most fear a market decline triggered by populist victories in France and Germany. As a result, while the improvements in the European macro picture and favorable valuations relative to the U.S. have gained some attention, many portfolios are still underinvested in the region and will likely remain so until the elections are over.

In Japan, valuations are below average but the market continues to be whipsawed by the volatility in the Yen. While the Yen remains highly correlated with the yield on the U.S. 10-year bond, we note that demographic-driven labor shortages in Japan may lead to higher wages in the future. If so, we may finally see higher Japanese inflation, which may lead to some normalization of the exceptional accommodative monetary policy in Japan and ultimately, a stronger Yen. Given the Yen's persistent volatility, we trimmed our Japanese export exposure during the quarter.

Lastly, after seeing the strategy's valuation compress significantly in 2016, valuations moved higher after a good first quarter performance. However, the strategy's appreciation in the first quarter, still trailed the increase in strategy's positive earnings revisions, suggesting that earnings are still being revised more than what is being reflected in share prices for the strategy. Additionally, the composition of the strategy has changed over the quarter with the strategy holding more technology (where valuations are generally higher than other sectors), paired with less industrials (where valuations are generally lower than other sectors). As a result, aggregate valuations still seem reasonable especially relative to our forward growth rates, which also increased during the quarter.

## Fund Highlights

At quarter-end, the Fund was invested in 97 stocks in 20 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 (23.6% vs. 27.6%), the United Kingdom (20.0% vs. 15.1%), Canada (7.8% vs. 9.7%), Switzerland (7.3% vs. 4.1%), and Australia (6.1% vs. 5.9%). On a sector basis, the Fund is overweight information technology (24.3% vs. 15.6%) and underweight health care (6.8% vs. 11.1%).

At a sector level, technology performed exceptionally well worldwide. Our fund benefitted from the current semiconductor super-cycle, which is being driven by new features in the upcoming iPhone and new investments in Organic Light Emitting Display (OLED) technologies. Gains in the portfolio's technology investments were better than the benchmark and technology was our best performing sector this quarter. On the other hand, industrials were our worst performing sector.

## Key Benefits

The Oberweis International Opportunities Institutional Fund seeks to identify and capitalize on the investment opportunities offered by smaller companies in Europe, the UK, Canada, Asia, Japan, and Latin America. The Fund 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 Institutional Fund 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 Investment: \$1,000,000

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. Investing in emerging markets involves risks and considerations not present when investing in more-established securities markets. Investing in international/emerging market investment funds should be considered speculative and thus not appropriate for all investors. There is no guarantee that the portfolios can achieve their objectives.

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**COUNTRY ALLOCATION** (As of March 31, 2017)

	Oberweis International Opportunities Fund (OBIOX)	MSCI World ex-US Small-Cap Growth Index
Japan	23.6%	27.6%
United Kingdom	20.0%	15.1%
Canada	7.8%	9.7%
Switzerland	7.3%	4.1%
Australia	6.1%	5.9%
France	4.9%	4.4%
China	4.7%	0.0%
Sweden	2.8%	5.9%
Finland	2.6%	0.9%
Germany	1.8%	6.0%
Italy	1.6%	4.0%
Spain	1.1%	2.9%
Hong Kong	0.5%	2.1%
Other Countries	8.4%	11.4%
Cash	6.8%	N/A
	100%	100%

\*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

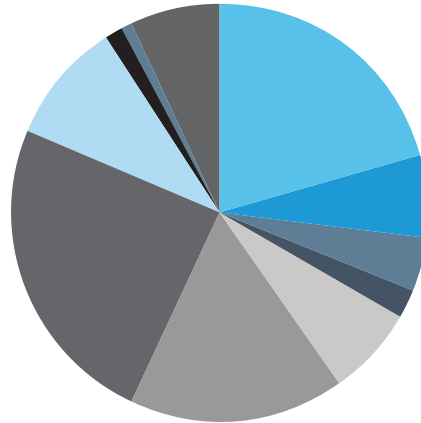
**TOP TEN HOLDINGS** (as of December 31, 2016)

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 electrical 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 March 31, 2017)**

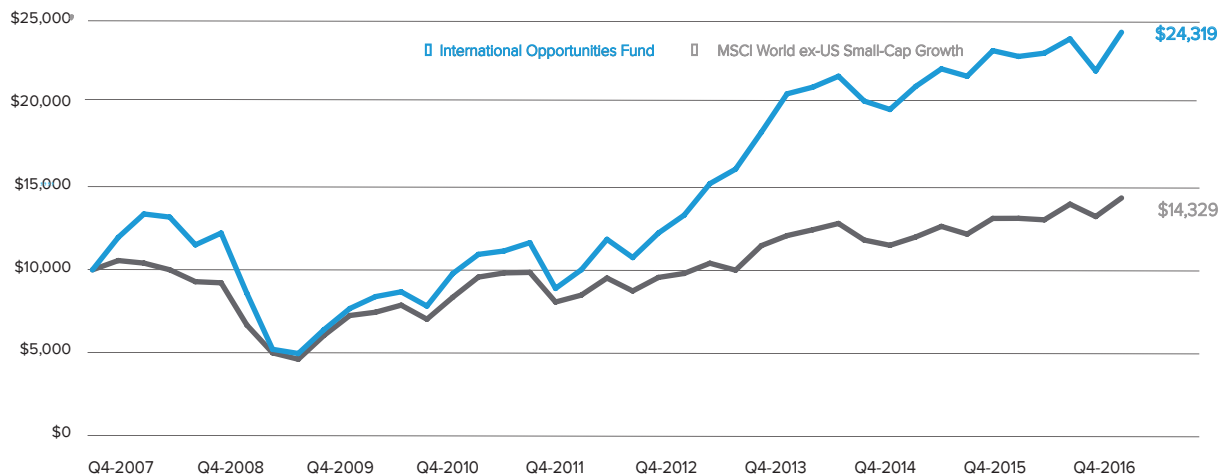
Consumer Discretionary	20.8%
Consumer Staples	6.4%
Energy	4.1%
Financials	2.3%
Health Care	6.8%
Industrials	16.8%
Information Technology	24.3%
Materials	9.6%
Real Estate	1.3%
Telecomm Service	0.0%
Utilities	0.8%
Cash	6.8%
<b>Total</b>	<b>100.0%</b>



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](http://www.msci.com)

**GROWTH OF \$10,000 — WITH INCOME INVESTED (March 10, 2014 — March 31, 2017)**



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.

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