

# OBERWEIS INTERNATIONAL OPPORTUNITIES INSTITUTIONAL FUND (OBIIIX)

2Q 2017

## AVERAGE ANNUAL TOTAL RETURNS (as of June 30, 2017)

	QTD	YTD	1 Yr	3 YR	Since Inception 3/10/2014	Expense Ratio*
<b>Oberweis International Opportunities Institutional Fund (OBIIIX)</b>	<b>8.64%</b>	<b>20.27%</b>	<b>14.96%</b>	<b>6.14%</b>	<b>5.21%</b>	<b>1.10%</b>
MSCI World ex-US Small-Cap Growth Index	8.16%	17.31%	19.10%	5.28%	5.51%	

\* 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 1.18% for OBIIIX. 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 OBIIIX to the extent that total ordinary operating expenses exceed in any one year 1.10% 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

International small-cap markets delivered strong returns in the second quarter of 2017, with the MSCI World ex-US Small Cap Growth Index returning 8.16%. The Oberweis International Opportunities Institutional Fund returned 8.64%. Year-to-date, the International Opportunities Institutional Fund has returned 20.27% versus 17.31% for the MSCI World ex-US Small Cap Growth Index, for an excess return of 296 basis points. On a global basis, equities performed well this quarter as economic growth and corporate earnings remained at high levels, more than offsetting political uncertainties in some areas. Equity returns were led by emerging markets such as China and India and some developed markets including France and Germany. International stock returns, in U.S. dollar terms, were also enhanced by a weaker U.S. dollar.

While many investors already appreciate the American economy's improvement, cyclical growth outside the U.S. seems to be catching up. Manufacturing PMI's remained solidly above 50 in Canada, the Eurozone, Australia, Japan, and most emerging markets, signaling continued economic expansion. Additionally, year-over-year headline inflation has gently accelerated, dampening any lingering fears of deflation that dogged many global economies – particularly those in Europe – after the Global Financial Crisis. European firms reported the highest percentage of quarterly revenue surprises over analyst expectations since 2003.

On the other hand some political risks, while still close in mind, are marginally abating. For example, the victory of Emmanuel Macron in the French presidential election has taken some steam out of the populist push. Ironically, European equities sold off in June, as investor focus shifted from fear of an EU breakup to concern that the European Central Bank may soon curtail the "easy money" quantitative easing spigot. Japanese small-cap stocks slightly under-performed the benchmark again this quarter despite all-time high annual earnings and more substantial returns of capital to shareholders through higher dividends and share buybacks (in a market that has historically been reticent to do so).

<sup>1</sup>Source: Morgan Stanley.

## Outlook

You may recall our balanced outlook for international small-cap equities in recent quarters. While we were encouraged by improving economic data amid attractive stock valuations, our enthusiasm was tempered by rising political uncertainties after surprising populist election wins in both the U.S. and U.K. With the recent overwhelming victory by Macron in France and a hung parliament in the U.K., populism appears to be losing momentum. Macron and German Chancellor Angela Merkel may have a window of opportunity to stabilize the EU. While Merkel still faces an upcoming election in Germany, her healthy approval rating of 64% suggests a lower risk of upset than was present in the U.K. or U.S. elections. Over time, we believe that a stable environment in the EU should lead to greater business investment and higher consumer confidence, both of which are leading indicators of future economic growth. Some indicators hint this may already be happening, as seen in a six-year high in June's Eurozone PMI.

In Japan, after Prime Minister Shinzo Abe's ruling party lost a recent Tokyo election, the pressure on him to increase economic growth will be high. In response, we expect that Abe will attempt to accelerate reforms and increase government spending. In short, the opportunity in Japan could finally be ripe: many global fund managers are underweight, valuations remain below long-term averages, and we see marginally improving corporate governance as Japanese firms are increasingly electing to return capital to shareholders via dividend increases and share buybacks. Although intrigued, we remain underweight pending more evidence of change impacting growth.

While we are generally positive on opportunities in the EU, we are slightly concerned that increasingly hawkish commentary by global central bankers may create higher volatility going forward. Recently, the Federal Reserve, European Central Bank and Bank of England have all talked about the unwinding of favorable money supply policies, and the potential impact of such a reversal on equity markets is uncertain.

From a sector standpoint, we see the 2016 outperformance from certain commodities unwinding as supply continues to be an issue. After finding more energy ideas in the second half of 2016, we trimmed our exposure during the quarter, reflecting our stance that the oil market likely needs more time to balance supply and demand. We fear energy companies that relied on cost cuts to generate better-than-expected results may soon run out of options in the face of lower oil prices. On the flip side, we have found more industrials ideas which have benefitted from improving global growth and at the same time have largely undertaken corporate restructuring activities.

We are still broadly positive on technology given the current robust growth in the sector and strong future growth opportunities. However, we note some sub-sectors like software seem priced for perfection, and combined with high investor exposure, the sector may be ripe for some profit-taking. We reduced our exposure and enter the third quarter roughly neutral with the benchmark.

In terms of valuation, the portfolio's weighted average P/E and forward growth rates are roughly the same as last quarter. With valuation dispersions across our developed world markets remaining relatively narrow, we continue to expect that company specific factors will remain more important in determining equity winners. Further, compared to the U.S., the P/E ratios of non-U.S. small-cap stocks – both in developed and emerging markets – remain relatively more attractive.

## Fund Highlights

At quarter-end, the Fund was invested in 99 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 the United Kingdom (26.3% vs. 16.2%), Japan (20.9% vs. 27.3%), Switzerland (6.8% vs. 4.4%), Canada (6.2% vs. 8.8%), and Australia (6.1% vs. 5.7%). On a sector basis, the Fund is overweight consumer discretionary (21.7% vs. 17.4%) and underweight consumer staples (5.0% vs. 9.1%).

## 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 June 30, 2017)

	Oberweis International Opportunities Institutional Fund (OBIIX)	MSCI World ex-US Small-Cap Growth Index
United Kingdom	26.3%	16.2%
Japan	20.9%	27.3%
Switzerland	6.8%	4.4%
Canada	6.2%	8.8%
Australia	6.1%	5.7%
Sweden	5.0%	6.1%
Germany	4.3%	7.0%
France	4.3%	4.7%
Finland	3.4%	0.7%
China	2.3%	0.0%
Italy	1.2%	2.8%
Hong Kong	0.5%	2.1%
Spain	0.0%	2.7%
Other Countries	5.8%	11.5%
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 March 31, 2017)

Company	Line of Business
1 Logitech International S.A. 2.6%	Designs, manufactures and markets products that allow people to connect through music, gaming, video, and other digital platforms
2 Persimmon PLC 2.1%	Leading homebuilder in the United Kingdom
3 Subsea 7 SA 1.9%	Leading underwater oilfield service provider
4 Aristocrat Leisure 1.9%	Develops and manufactures gaming machines such as slot machines and electronic table games
5 Ulvac Inc. 1.7%	Manufactures vacuum equipment for industries such as semiconductor, electronics, chemical and food
6 JD Sports Fashion PLC 1.7%	Leading sports apparel retailing in the United Kingdom
7 Just Eat PLC 1.7%	United Kingdom market leading online takeaway food platform
8 Temenos Group AG 1.6%	Global provider of core banking software
9 Brembo SpA 1.6%	Develops and manufactures disc braking systems and components
10 Parex Resources, Inc. 1.5%	Canada based oil and gas company

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

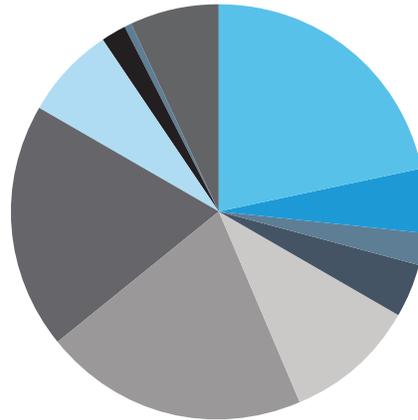


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## SECTOR WEIGHTINGS (as of June 30, 2017)

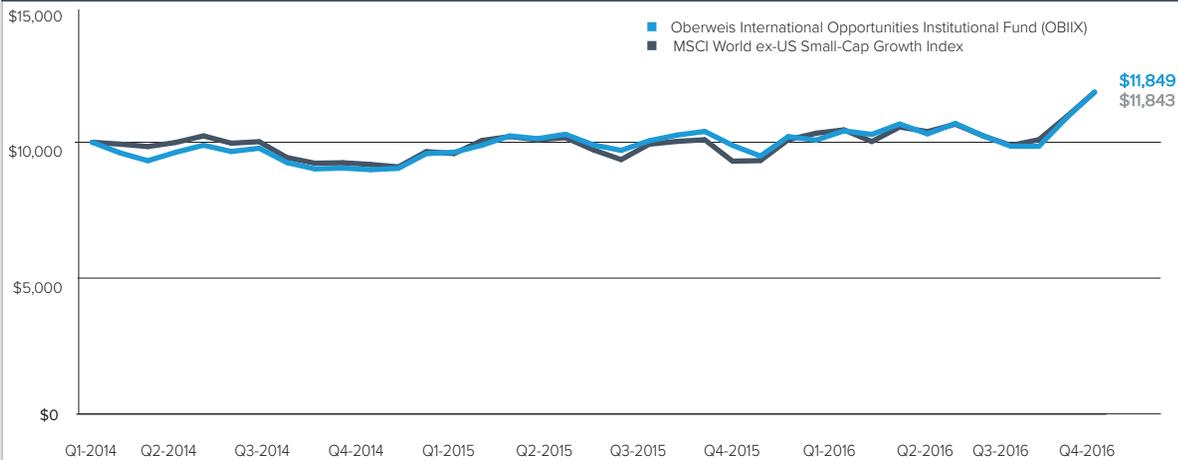
Consumer Discretionary	21.7%
Consumer Staples	5.0%
Energy	2.5%
Financials	4.2%
Health Care	10.3%
Industrials	20.7%
Information Technology	19.0%
Materials	7.2%
Real Estate	2.1%
Telecomm Service	0.0%
Utilities	0.5%
Cash	6.8%
<b>Total</b>	<b>100.0%</b>



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 – June 30, 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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