

## OBERWEIS MICRO-CAP FUND INVESTOR CLASS (OBMCX) INSTITUTIONAL CLASS (OMCIX)

2Q 2017

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

	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 1/1/1996	Expense Ratio*	Minimum Investment
<b>Oberweis Micro-Cap Fund Investor Class (OBMCX)</b>	<b>4.68%</b>	<b>12.38%</b>	<b>34.19%</b>	<b>11.75%</b>	<b>18.74%</b>	<b>6.37%</b>	<b>10.17%</b>	<b>1.64%</b>	<b>\$1,000 non- IRA, \$500 IRA</b>
<b>Oberweis Micro-Cap Fund Institutional Class (OMCIX)**</b>	<b>4.75%</b>	<b>12.52%</b>	<b>34.52%</b>	<b>12.03%</b>	<b>19.03%</b>	<b>6.63%</b>	<b>10.44%</b>	<b>1.40%</b>	<b>\$1.0 mil</b>
Russell Microcap Growth Index	5.29%	8.07%	22.71%	4.61%	12.76%	5.57%	N/A		
Russell 2000 Growth Index	4.39%	9.97%	24.40%	7.64%	13.98%	7.82%	6.85%		

\* Expense ratio is the total net annualized fund operating expense ratio as of 12/31/16. The expense ratio gross of expense off set arrangements and expense reimbursement was 1.65% for OBMCX. Expense Ratio is an estimate for the Institutional Class because shares commenced operations on May 1, 2017. 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 OBMCX and OMCIX to the extent that total ordinary operating expenses exceed in any one year the following amounts expressed as a percentage of each Fund's average daily net assets: 1.80% and 1.55% of the first \$50 million; plus 1.60% and 1.35% of average daily net assets in excess of \$50 million, respectively. The annual expense ratio will reflect a blend of both the old and new expense reimbursement arrangements in effect for 2017.

\*\*Institutional Class shares OMCIX performance information was calculated using the historical performance of Investor Class shares for periods prior to May 1, 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 a gain or loss when shares are sold. Current performance may be higher or lower than quoted. Visit us online at [oberweis.funds.com](http://oberweis.funds.com) for the 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 Russell 2000 Index measures the performance of approximately 2,000 companies with small-market capitalizations. 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. The Russell Microcap Growth Index measures the performance of those Russell Micro Cap companies with higher price-to-book ratios and higher forecasted growth values. The performance data includes reinvested dividends.

The Russell Microcap Index is represented by the smallest 1,000 securities in the small cap Russell 2000 Index plus the next 1,000 securities. Each index is an unmanaged group of stocks, whose performance does not reflect the deduction of fees, expenses or taxes.

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

## The Quarter in Review

The Oberweis Micro-Cap Fund (OBMCX) returned 4.68% during the June quarter versus a 4.39% return for the benchmark Russell 2000 Growth Index, an outperformance of 29 basis points. Compared to the Russell Microcap Growth Index, which returned 5.29%, the Fund trailed the index by 61 basis points. Year-to-date, the Fund returned 12.38% versus 9.97% for the Russell 2000 Growth Index and 8.07% for the Russell Microcap Growth Index, an outperformance of 241 basis points and 431 basis points, respectively.

The portfolio faced numerous performance headwinds over the last three months. Although growth continued to outperform value<sup>1</sup>, lower quality stocks led the way within the benchmark as the lowest ROE quintile and the highest P/E ratio quintile – plus the cohort of companies with no P/E's because they lack earnings – performed best during the quarter. The strength among low-quality stocks was particularly evident in the leadership demonstrated by biotechs, which returned 9.3% over the last three months and are responsible for nearly a quarter of the performance of the Russell 2000 Growth so far this year<sup>2</sup>. The best performing sectors within the Russell 2000 Growth Index during the quarter were Utilities, Healthcare (led by the aforementioned strength in biotech), and Real Estate; we are underweight all three sectors and lack meaningful exposure to biotech.

<sup>1</sup>The Russell 2000 Growth Index returned 4.39% for the June quarter and 9.97% year-to-date while the Russell 2000 Value Index returned 0.67% and 0.54%, respectively.

<sup>2</sup> Biotech stocks contributed 236 basis points of performance to the Russell 2000 Growth Index year-to-date. Source: Jefferies.



## OBERWEIS MICRO-CAP FUND INVESTOR CLASS (OBMCX) INSTITUTIONAL CLASS (OMCIX)

2Q 2017

### Quarter In Review (continued)

The strength in equities was broad-based globally during the first half of the year as economic growth and corporate earnings have accelerated world-wide, led by emerging markets such as China and India and developed markets including France and Germany. Manufacturing PMI's remained solidly above 50 in Canada, the Eurozone, Australia, Japan, and most emerging markets, signaling continued economic expansion. In the U.S., the PMI also remained above 50, while consumer confidence is at 10-year highs and wages are showing signs of increasing as unemployment flirts with structural cycle lows. Additionally, year-over-year headline inflation has accelerated globally and in the U.S. is around the Fed's 2% target, likely putting to rest the sustained fears of deflation that dogged global economies – particularly those in Europe – since the Global Financial Crisis.

Outside of equities, there were several notable moves in the second quarter that impacted stocks. Oil declined from nearly \$54 per barrel in early April to nearly \$42 in late June, causing Energy to be the worst-performing sector in the index during the quarter. Although the Federal Reserve increased rates for a fourth time in this tightening cycle in June, the yield on the 10-year U.S. Treasury actually fell since March 31, dragging the U.S. dollar – and financial stocks – lower. Lower yields may be a result of a flight to safety as investors seek shelter in response to rising tensions with North Korea and strained relations with Russia.

Meanwhile, U.S. equity valuations remain somewhat elevated but may be supported by improving corporate earnings. Broader market valuations, such as the S&P 500 P/E, are at above-average levels, although in fairness those P/E's are against a backdrop of sustained low interest rates that remain depressed relative to where they would normally be at this point in the cycle. Our universe P/E, which we've tracked since 2003, remains at average levels and is similar to the P/E's we've seen consistently since 2014. We think the market needs continued strength in economic indicators and corporate earnings and eventually corporate tax reform to justify current valuations, particularly those afforded more expensive large-cap stocks.

While mainstream market commentary is generally focused on those pricey large companies, we believe there are still reasons to be intrigued by small-cap growth stocks. First, evidence suggests that small-cap stocks tend to outperform large-caps during periods when the Federal Reserve is well into a tightening regime. According to research by Jefferies small-cap strategist Steven DeSanctis, small-caps traditionally outperform large-caps by over 300 basis points in the year following the fourth rate hike. Following the fifth hike, which we expect in the second half of 2017, that outperformance expands meaningfully to over 1,000 basis points in the subsequent year. Second, Mr. DeSanctis notes that small-cap growth stocks are still cheap relative to small-cap value stocks on several long-term valuation metrics, most notably price-to-cash flow, price-to-sales, and price-to-book value.

While macro factors can influence shorter time periods, we believe that investing in companies growing earnings beyond expectations results in superior investment performance over the long-term. Rather than ruminate about macro-economic indicators or geopolitical events, we focus on investing in individual businesses in which we believe something misunderstood or under-estimated is likely to drive earnings growth in excess of consensus expectations. While the multiple paid for such companies may oscillate in the short-run, we believe building portfolios populated with such companies leads to portfolio performance in excess of the benchmark over the long-term.

### Fund Highlights

As of June 30, 2017, the Fund was 96.5% invested in 89 different positions. The Fund had its largest weightings in technology (27.4% average weighting during the quarter versus 20.2% for the Russell 2000 Growth Index), healthcare (21.7% versus 21.9%), and producer durables (16.9% versus 14.0%). The Fund was most underweight materials (3.8% versus 9.7%), consumer discretionary (12.0% versus 16.0%), and utilities (0.0% versus 2.4%).

In the second quarter the Fund benefited from favorable stock selection in healthcare (where our holdings returned 14.5% versus a 9.9% return for the benchmark's health care holdings) and producer durables (6.1% versus 2.3%). Performance was negatively impacted by stock selection in consumer discretionary (-4.1% versus 2.4%).

### Key Benefits

The Micro-Cap Fund invests at least 80% of its net assets in the securities of very small companies which, at the time of purchase, have a market capitalization of less than or equal to \$600 million or are within the range of companies represented in the Russell Micro-Cap Growth Index, whichever is greater. This is an effort to capture the exceptional growth potential of emerging companies in the earliest and most dynamic phase of their development.

The potential key benefits of the Micro-Cap Fund are:

- Access to one of the least efficient segments of the equity market
- Potential for significant alpha over a full market cycle
- Combines empirically-proven Behavioral Finance principles with the very best of fundamental bottom-up research
- Disciplined and repeatable investment process managed by a passionate and experienced investment team
- Fundamental research process specifically designed to efficiently discover micro-cap companies that are misunderstood by traditional Wall Street research analysts
- Exposure to micro-cap companies offering the potential for earnings growth that differs from consensus expectations
- Diversified portfolio with a focus on risk management

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 please contact:**

**John Collins, CIMA®**

**Oberweis Asset Management, Inc.**

**3333 Warrenville Rd., Suite 500, Lisle, IL 60532**

**(800) 323-6166 | (630) 577-2364 | [john.collins@oberweis.net](mailto:john.collins@oberweis.net)**

# OBERWEIS MICRO-CAP FUND INVESTOR CLASS (OBMCX) INSTITUTIONAL CLASS (OMCIX)

2Q 2017

## FUND CHARACTERISTICS *(as of June 30, 2017)*

Number of Stocks	89
Weighted Market Capitalization (in millions)	\$898
Median Market Capitalization (in millions)	\$663
P/E Forward 4 Quarters (estimated)	18.5x
Long-Term Debt to Total Equity	22.0%
Return on Equity	6.0%
Cash Position	0.0%
Portfolio Turnover (2016)	102%
Source: Thomson Reuters Eikon	

## TOP TEN HOLDINGS *(as of March 31, 2017)*

Company		Line of Business
1	Applied Optoelectronics, Inc.	3.5% Manufactures advanced optical semiconductor devices
2	Glaukos Corp.	2.6% Develops, manufactures, and markets medical devices for the treatment of glaucoma
3	Ceva, Inc.	2.1% Licensor of DSP cores and integrated applications to the semiconductor industry
4	American Xtal Technology	2.0% Producer of high-performance semiconductor substrates
5	Inphi Corp.	2.0% Provides high-speed analog semiconductor solutions for the communications and computing markets
6	Del Taco Restaurants Inc.	1.8% Operates and franchisor of restaurants featuring fresh and fast made-to-order Mexican and American classic dishes
7	Heska Corp.	1.8% Manufactures diagnostic tools, vaccines, and pharmaceuticals for the companion animal market
8	Ultra Clean Holdings	1.7% Supplies subsystems used in semiconductor capital equipment
9	Extreme Networks, Inc.	1.7% Provides software-driven networking solutions
10	Nutrisystem, Inc.	1.7% Operates a weight-management program

*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*

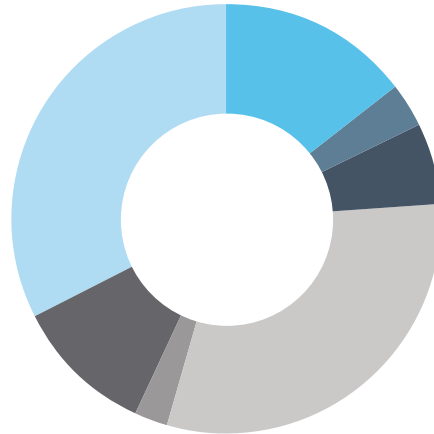


**OBERWEIS MICRO-CAP FUND  
INVESTOR CLASS (OBMCX)  
INSTITUTIONAL CLASS (OMCIX)**

2Q 2017

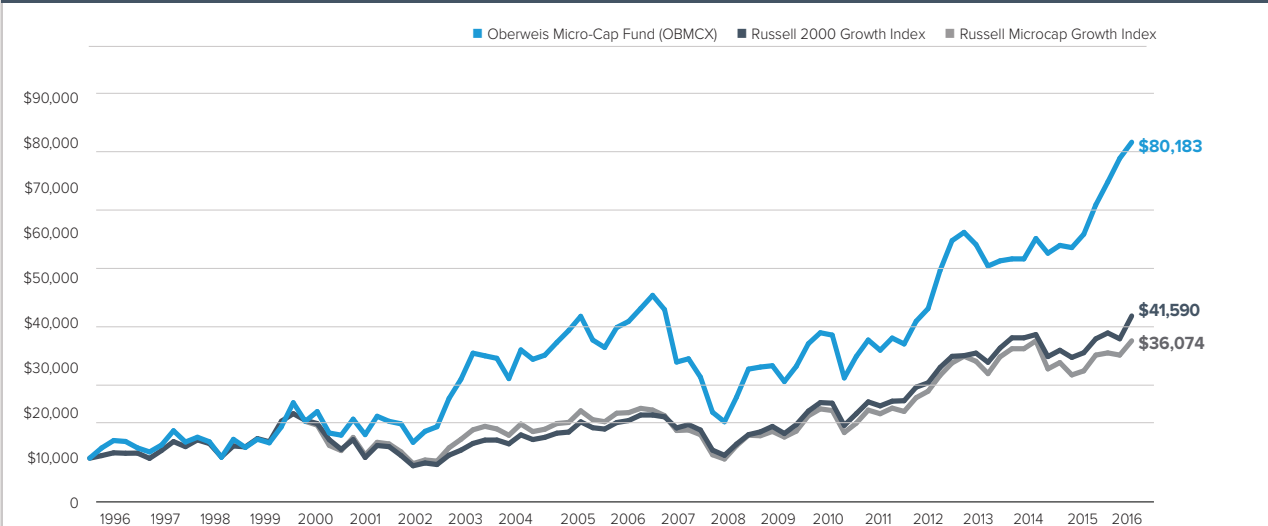
**SECTOR WEIGHTINGS (as of June 30, 2017)**

Consumer Discretionary	14.6%
Consumer Staples	0.0%
Energy	3.3%
Financial Services	6.1%
Health Care	30.5%
Materials & Processing	2.6%
Producer Durables	10.6%
Technology	32.3%
Utilities	0.0%
Cash	0.0%
<b>Total</b>	<b>100.0%</b>



Sector weightings as a percentage of Total Net Assets. Source: Thomson Reuters Eikon

**GROWTH OF \$10,000 — WITH INCOME INVESTED (January 1, 1996–June 30, 2017)**



The Russell Microcap Growth Index began on 7/3/00, and the line graph for the Index begins at the same value as the Fund on that date.

The Oberweis Aperture

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



[READ MORE](#)

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](#)