

SMALL-CAP OPPORTUNITIES STRATEGY

3Q 2017

The Quarter in Review

The Oberweis Small-Cap Opportunities Composite returned 9.49% (9.34% net of fees) during the September quarter versus a 6.22% return for the benchmark Russell 2000 Growth Index, an outperformance of 327 basis points (312 basis points net of fees). Year-to-date, the Composite returned 20.90% (20.31% net of fees) versus 16.81% for the Russell 2000 Growth Index, an outperformance of 409 basis points (350 basis points net of fees).

Growth stocks again outperformed value stocks during the quarter and have now bested their value cousins by over 1,100 basis points year-to-date, although value stocks did rebound somewhat on a relative basis during the month of September. From a capitalization perspective, small-cap stocks slightly outperformed large-cap stocks during the quarter but continue to lag by nearly 400 basis points year-to-date. Biotech stocks, which returned over 14% during the quarter, remained a headwind and helped drive the healthcare sector to the highest year-to-date return within the Russell 2000 Growth Index. We were underweight the sector and had minimal exposure to biotechs specifically.

Both developed and emerging markets equities continued to exhibit strength globally during the quarter. Chinese stocks have led the way thus far in 2017, followed closely by Brazil and India. Developed European markets – particularly France and Germany – have also performed well, while Russia has been one of the few problematic markets. These positive returns have been supported by accelerating economic growth and earnings growth in 2017, particularly in Europe, where the Global Purchasing Managers' Index for manufacturing has demonstrated consistent strength dating to the end of 2016. In fact, Germany's PMI eclipsed 60 in September for the first time in recent memory, while the PMI in the U.S. continues to post readings in the low-50's, signaling continued expansion.

Against this backdrop, however, are valuations in the U.S. that are above-average for both the S&P 500 Index and for our investable universe of small-cap growth companies, a data point that is discussed frequently on CNBC by those labeling the U.S. equity market as “expensive” or “priced” or even a “bubble.” While the P/E's on an absolute basis are troubling, we would caution that these above-average multiples are against a backdrop of sustained low interest rates. Since 1990, the average yield on a U.S. 10-year Treasury bond is over 4.6%. We closed the third quarter at 2.35% and haven't seen 4.6% in a decade. The Federal Reserve, however, has more recently shifted its monetary stance toward a tightening bias after raising rates four times in 18 months. This bias will soon strengthen as the Fed refrains from purchasing treasuries and mortgage-backed securities with the proceeds from maturing securities on its balance sheet. We expect the balance sheet unwind will become a more pressing topic in 2018 and could help to drive bond yields higher.

The other interesting issue related to P/E resides in the earnings part of the equation, which could experience a meaningful boost should the Congress pass legislation that reduces the corporate tax rate to 20%, as has been telegraphed by President Trump and Republican leadership. Micro-cap and small-cap stocks are seen as more sensitive to corporate tax cut expectations and would stand to disproportionately benefit from an all-encompassing reduction to 20%. Research by Credit Suisse's chief U.S. equity strategist Lori Calvasina estimates that the effective tax rate is currently 32% for the Russell 2000 Index and 26% for the S&P 500 Index. A reduction to 20% would essentially boost earnings for the Russell 2000 Index by over 17% and effectively reduce the index P/E by 15%.

Certainly tax reform expectations are high and are, at a minimum, somewhat priced into small-cap equities. Now more than ever, the equity rally seems to be based on the promise of tax cuts, both at the corporate and individual levels. Politicians have committed to a resolution by year-end to provide tax clarity heading into 2018, so this represents a risk worth monitoring as the fourth quarter unfolds. Given the Trump administration's multiple failures with healthcare reform, we believe there is a reasonable probability of disappointment that might lead to a short-term disruption in small-cap equity prices.

Longer term, we believe that investing in companies growing sales and earnings beyond consensus expectations drives superior long-term performance. Rather than focus on macro factors or geopolitical events, we instead focus our research effort on a company-by-company basis to identify individual businesses where we believe something is misunderstood or underestimated by the average investor, resulting in proprietary earnings expectations that differ materially from consensus. While the multiple investors are willing to pay may vary in the near-term, we believe such investments will lead to excess performance over the long-term.

¹The Russell 2000 Growth Index returned 6.22%, 16.81%, and 5.45% for the quarter, year-to-date, and month (ended September 30, 2017), respectively. The Russell 2000 Value Index returned 5.11%, 5.68%, and 7.08% for the quarter, year-to-date, and month (ended September 30, 2017), respectively.

²The Russell 1000 Growth Index returned 5.90% during the quarter and 20.72% year-to-date.

³The biotechnology industry within the Russell 2000 Growth Index (Russell classifications) returned 14.64% during the quarter.

Portfolio Highlights

As of September 30, 2017, the portfolio was 97.6% invested in 81 different positions. The portfolio had its largest weightings in technology (27.2% average weighting during the quarter versus 19.7% for the Russell 2000 Growth Index), producer durables (19.9% versus 15.8%), and healthcare (14.9% versus 24.3%). In addition to healthcare, the portfolio was most underweight materials (5.0% versus 8.1%) and consumer discretionary (12.7% versus 15.6%).

Third quarter performance was positively impacted by stock selection in technology (where our holdings returned 10.84% versus a 5.75% return for the benchmark's technology holdings), consumer discretionary (15.2% versus 5.8%), producer durables (12.7% versus 9.4%), and materials (16.4% versus 6.3%). Selections in healthcare were a drag on performance (3.8% versus 6.8%).

PORTFOLIO CHARACTERISTICS

(AS OF SEPTEMBER 30, 2017)

Number of Stocks	81
Weighted Market Capitalization (in millions)	\$2,453
Median Market Capitalization (in millions)	\$2,070
P/E Forward 4 Quarters (estimated)	19.6x
Long-Term Future EPS Group Rate (estimated)	12.0%
Long-Term Debt to Total Equity	12.0%
Return on Equity	6.0%
Cash Position	2.4%
Portfolio Turnover (2016)	150%

Source: Thomson Reuters Eikon

Key Benefits

The Small-Cap Opportunities strategy seeks to capitalize on the exceptional growth potential of smaller companies that are often misunderstood by traditional Wall Street research analysts. The Small-Cap Opportunities strategy generally invests in companies (with market capitalizations under \$5.0 billion at the time of purchase) where our expectations for earnings growth differ from consensus expectations. These companies often boast exciting products and/or services, a strong and sustainable competitive position, and the potential for upward revisions in earnings expectations in the future. Our fundamental research process is specifically designed to efficiently identify such opportunities.

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

- 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 smaller cap companies that are misunderstood by traditional Wall Street research analysts
- Exposure to smaller cap companies offering the potential for earnings growth that differs from consensus expectations
- Diversified portfolio with a focus on risk management

Minimum Account Size: \$5 million for Institutional Account Management

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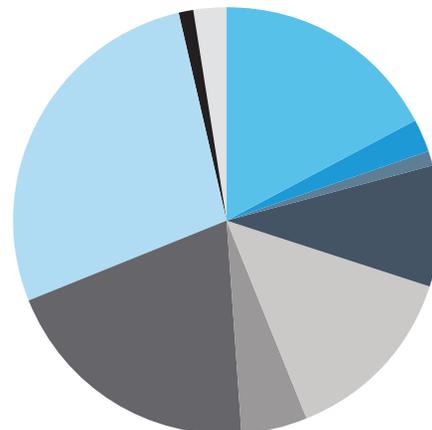
TOP TEN HOLDINGS (as of September 30, 2017)

Company		Line of Business
1	Rogers Corp	2.4% Manufactures specialty materials and components
2	SkyWest, Inc.	2.3% Operates a regional airline within North America
3	The Children's Place	2.1% Retailer that offers value-priced apparel and accessories for children
4	LogMeIn, Inc.	2.1% Provides a portfolio of cloud-based service offerings which helps people and businesses connect to their workplace, colleagues and customers
5	Tactile System Technology, Inc.	2.0% Develops medical devices for the treatment of lymphedema
6	Coherent, Inc.	1.9% Manufactures laser-based photonic products
7	Extreme Networks, Inc.	1.8% Provides software-driven networking solutions
8	Carbonite, Inc.	1.8% Provides cloud data protection services to consumers and businesses
9	Ceva, Inc.	1.8% Licensor of DSP cores and integrated applications to the semiconductor industry
10	Cavium, Inc.	1.7% Provides semiconductor processors that enable intelligent networking

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 September 30, 2017)

Consumer Discretionary	17.3%
Consumer Staples	2.7%
Energy	1.0%
Financial Services	9.2%
Health Care	13.7%
Materials & Processing	5.1%
Producer Durables	19.9%
Technology	27.7%
Utilities	1.0%
Cash	2.4%
Total	100.0%



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

AVERAGE ANNUAL TOTAL RETURNS (as of September 30, 2017)

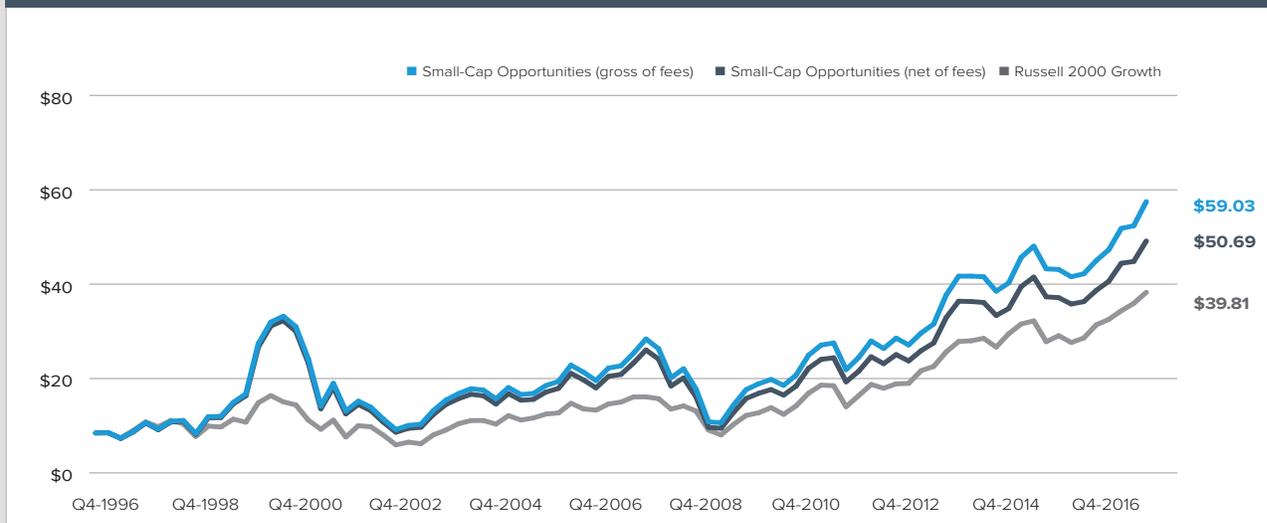
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (9/15/1996)
Small-Cap Opportunities (gross of fees)	9.49%	20.90%	26.87%	13.81%	14.42%	7.03%	8.92%
Small-Cap Opportunities (net of fees)	9.34%	20.31%	26.04%	13.25%	13.76%	6.27%	8.14%
Russell 2000 Growth Index	6.22%	16.81%	20.98%	12.17%	14.28%	8.47%	6.92%

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 \$2.5 million. Performance results, from 1-1-97 to 12-31-03 and from 7-1-08 to present, are derived solely from the performance of the Oberweis Small-Cap Opportunities Fund (formerly known as the Oberweis Mid-Cap 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 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 index is an unmanaged group of stocks, whose performance does not reflect the deduction of fees, expenses or taxes.

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 (September 15, 1996 – September 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.


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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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