Oberweis
Asset Management

INTERNATIONAL OPPORTUNITIES STRATEGY 4Q 2017

The Quarter and Year in Review

We are pleased to report favorable results for the fourth quarter and full year 2017. For the year, the Oberweis International Opportunities Composite returned 42.30% (41.14% net of fees) versus 34.27% for the MSCI World ex-US Small Cap Growth Index, for an excess return of 803 bps (687 bps net of fees). In the fourth quarter, the Composite returned 7.81% (7.61% net of fees) versus 6.43% for the benchmark.

The year's strong outperformance was almost entirely attributable to favorable stock selection (as opposed to overweights in specific countries or sectors). Specifically, our equity investments in Japan and the United Kingdom were the largest positive contributors. Interestingly, while Japan underperformed in the first quarter, it rebounded strongly and finished the year as a top contributor. Our stock picks in Australia, Canada, and Switzerland performed exceptionally well – generating even more excess return than Japan or the United Kingdom, although these countries comprise smaller weights and therefore had a smaller impact on the overall portfolio return. Our investments in Germany underperformed in 2017, but in the aggregate 2017 was an excellent year.

At the sector level, our Information Technology investments were the most important contributor to the portfolio's return in 2017. Smartphone component manufacturers such as Sunny Optical (2382 HK) and AMS AG (AMS SW) were two of our best performing holdings. Both benefitted from smartphone makers adding higher-quality camera lenses and 3D sensing capabilities to increase product differentiation.

Interestingly, global volatility remained low in 2017. Using the CBOE's VIX Index as a proxy, 2017 ranked as the "quietest" year for market volatility since 1990. Complacency prevailed over what might otherwise be construed as above-average geopolitical uncertainty, given inflated North Korean tensions, continued Eurozone unity worries, and the uncertain direction of U.S. trade policy under the Trump administration. Three interest rate hikes from the U.S. Federal Reserve and a hint of more to come were also easily digested by equity markets. Accelerating global earnings growth (Europe posted double digit year-on-year earnings growth in each of the first three reported quarters of 2017) and a U.S. tax cut that could further stoke growth appear to have "Trumped" geopolitical concerns – at least for now. This macro backdrop was positive for our bottoms-up philosophy, which focuses exclusively on companies generating better than expected earnings due to underappreciated business fundamentals.

Outlook

Consistent with the last few quarters, our outlook for international equities is somewhat mixed. On the positive side, growth in the Eurozone remains strong, with the Markit Eurozone Manufacturing Index posting its highest reading of the year in December. The outlook for Eurozone earnings growth seems promising, particularly if GDP growth continues. Eurozone earnings remain nearly 20% lower than the peak earnings level achieved in 2008, while earnings in the US have far eclipsed their pre-financial crisis peaks. If Europe's economy is simply lagging the U.S., one might expect more efficient asset utilization to drive profit margin expansion. For example, consider the margin expansion that occurs as manufacturing firms continue to soak up excess factory capacity. The rebound in the Euro, however, represents a potential headwind for European earnings in 2018 and European expectations feel higher post a year of net inflows into the region. As a result, we enter the year underweight the Eurozone. In the U.K, ongoing Brexit uncertainty likely keeps future growth expectations muted but also means the bar is set relatively low for UK companies. We are slightly overweight the U.K but the exposure is largely related to companies geared toward global economic activity. We believe the U.K. consumer is challenged by lackluster wage growth in the face of higher overall inflation.

In Japan, we continue to like the combination of attractive valuations, an increasing willingness by Japanese corporations to return excess cash to shareholders, and a tight labor market which could spur some much-needed wage inflation. We found more Japanese investment ideas in the second half of 2017 and enter 2018 with a slight overweight.

When we think about international growth generally, we believe tax reform in the U.S. is likely to provide a boost to U.S. earnings in 2018, although the long-term implications are less clear. If U.S. corporations use the excess cash to re-invest, there are likely positive implications and benefits for international companies, potentially increasing the marginal probability of surprise.

Lastly, it is worth nothing that growth outperformed value stocks in 2017, and while the magnitude was large, it didn't fully recover the outperformance of value stocks in 2016. Recently, many market pundits have questioned if technology – the sector most synonymous with growth and the best-performing sector in our universe in 2017 – can provide an encore performance this year. While there is always a temptation to assume mean reversion, we continue to find a quality and quantity of technology investments that lead us to maintain our overweight position from 2017. While we are cognizant of the potential risk of a style transition from growth to value, the data to support such a change is unclear. Our friends at Empirical Research Partners found that there is only 'weak' statistical evidence to suggest that a prior year's winning sector will not repeat the following year.

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Portfolio Highlights

At quarter-end, the portfolio was invested in 73 stocks in 14 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 (32.4% vs. 28.2%), the United Kingdom (16.3% vs. 15.7%), Canada (6.7% vs. 9.1%), Switzerland (6.2% vs. 4.9%), and Sweden (5.9% vs. 5.6%). On a sector basis, the portfolio is overweight information technology (25.3% vs. 17.6%) and underweight consumer staples (2.3% vs. 8.9%). In addition, we ended the quarter with a slightly above-average cash levels to provide flexibility entering 2018.

COUNTRY ALLOCATION*
(As of December 31, 2017)

	International Opportunities	MSCI World ex-US Small-Cap Growth Index
Japan	32.4%	28.2%
United Kingdom	16.3%	15.7%
Canada	6.7%	9.1%
Switzerland	6.2%	4.9%
Sweden	5.9%	5.6%
France	5.2%	4.1%
Netherlands	4.4%	1.9%
Germany	3.9%	5.9%
Australia	3.7%	6.2%
Singapore	2.3%	1.5%
Italy	0.0%	3.2%
Spain	0.0%	2.0%
Other Countries	5.1%	11.7%
Cash	7.9%	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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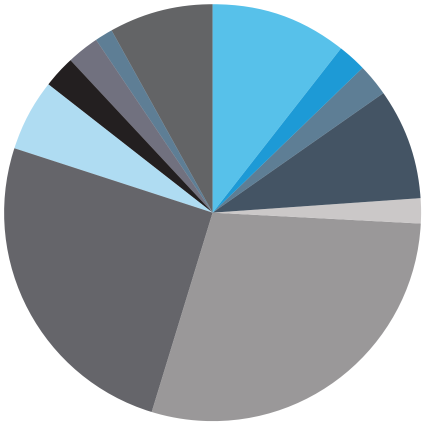
TOP TEN HOLDINGS *(as of December 31, 2017)*

	Company		Line of Business
1	Open House Co. Ltd.	2.6%	Japan-based single family home and real estate service provider
2	Outsourcing, Inc.	2.6%	Japan-based staffing services company
3	Tele2 AB	2.5%	European telecommunication service provider
4	Venture	2.3%	Singapore-based contract manufacturing service provider
5	En-Japan Inc.	2.1%	Japan based job listing website operator
6	GVC Holdings PLC	2.0%	A United Kingdom based international online gaming company, offering sports betting, casino and poker games
7	Intermediate Capital Group	2.0%	Private equity company investing ini international debt products based in the United Kingdom
8	Aurelius Equity Opportunities	1.9%	Investment company that provides loans to distressed companies, offers management services, and develops & implements restructuring plans
9	Fuji Electric	1.9%	Leading heavy electric machinery manufacturer based in Japan
10	Mitsui Mining	1.9%	Non-ferrous metal and electronics materials supplier located in Japan

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, 2017)*

Consumer Discretionary	10.7%
Consumer Staples	2.3%
Energy	2.5%
Financials	8.5%
Health Care	2.1%
Industrials	28.7%
Information Technology	25.3%
Materials	5.6%
Real Estate	2.6%
Telecomm Service	2.5%
Utilities	1.3%
Cash	7.9%
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, 2017)*	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 2/1/2007
International Opportunities (gross of fees)	**7.81%**	**42.30%**	**16.92%**	**19.81%**	**10.13%**	**12.88%**
International Opportunities (net of fees)	**7.61%**	**41.14%**	**15.82%**	**18.70%**	**8.99%**	**11.72%**
MSCI World ex-US Small-Cap Growth Index	6.43%	34.27%	14.18%	11.80%	5.08%	5.14%

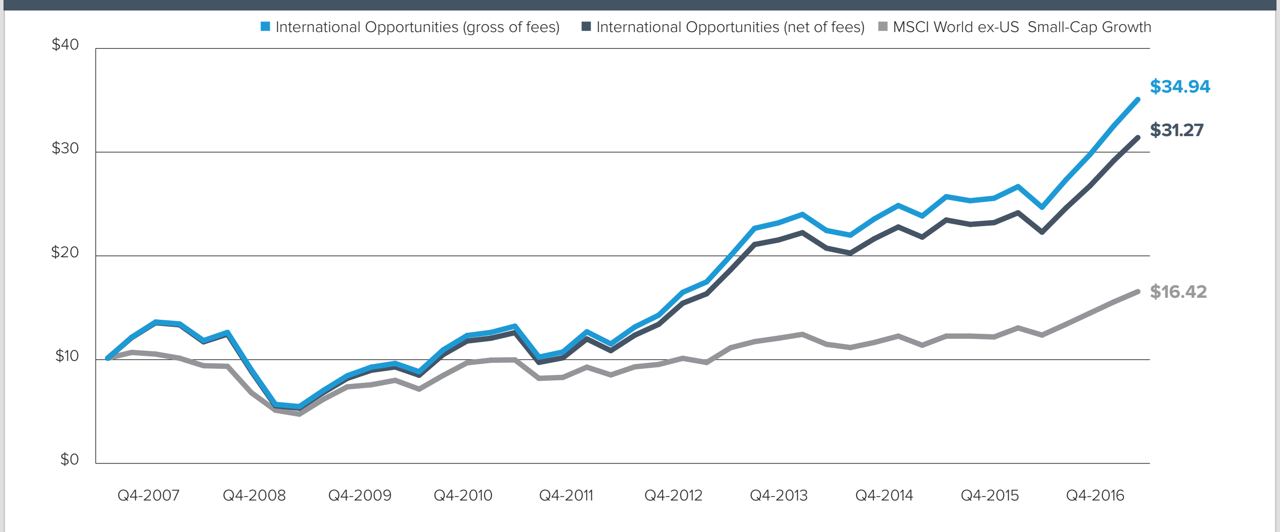
Oberweis Asset Management, Inc. ("OAM") is an independent investment management firm that is not affiliated with any parent organization. The composite returns are comprised of all fully discretionary accounts with a minimum value of $5 million. Performance results from 2-1-07 until 7-31-08, were derived 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.

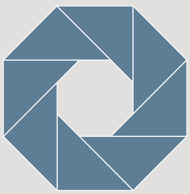
**Before investing, consider the fund's investment objectives, risks, charges, and expenses. To obtain a copy of the prospectus or summary prospectus containing this and other information, please visit our website at oberweisfunds.com or call 800-323-6166. Read it carefully before investing. The Oberweis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