

## OBERWEIS SMALL-CAP OPPORTUNITIES FUND INVESTOR CLASS (OBSEX) INSTITUTIONAL CLASS (OBSIX)

1Q 2018

### AVERAGE ANNUAL TOTAL RETURNS (as of March 31, 2018)

	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 9/15/96	Gross/Net Expense Ratio*
<b>Oberweis Small-Cap Opportunities Fund Institutional Class (OBSIX)**</b>	<b>0.19%</b>	<b>15.93%</b>	<b>8.34%</b>	<b>13.34%</b>	<b>9.31%</b>	<b>7.21%</b>	<b>1.94%/1.30%</b>
<b>Oberweis Small-Cap Opportunities Fund Investor Class (OBSEX)</b>	<b>0.12%</b>	<b>15.54%</b>	<b>8.03%</b>	<b>13.03%</b>	<b>9.02%</b>	<b>6.94%</b>	<b>2.25%/1.72%</b>
Russell 2000 Growth Index	2.30%	18.63%	8.77%	12.90%	10.95%	7.09%	

\*As of December 31, 2017. Oberweis Asset Management, Inc. (OAM), the Fund's investment advisor is contractually obligated through April 30, 2019 to reduce its management fees or reimburse OBSEX to the extent that total ordinary operating expenses exceed in any one year 1.55% expressed as a percentage of the Fund's average daily net assets and for OBSIX 1.30%. The annual expense ratio will reflect a blend of both the old and new expense reimbursement arrangements in effect for 2017.

\*\*Institutional Class shares OBSIX 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 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.

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

## The Quarter in Review

The Oberweis Small-Cap Opportunities Fund returned 0.12% during the March quarter versus a 2.30% return for the benchmark Russell 2000 Growth Index, a shortfall of 218 basis points.

The Fund faced style headwinds during the quarter that impacted performance. The benchmark's return during the quarter was driven by lower quality stocks and companies that have no earnings at all. The lowest ROE quintile within the index outperformed all other quintiles by a large margin and trumped the highest ROE quintile by 951 basis points. Companies with no earnings – and therefore no P/E ratios – returned nearly 700 basis points during the quarter. Much of this can be attributed to broad strength in biotech shares, which often lack revenues and earnings. Biotech stocks, which accounted for over 11% of the Russell 2000 Growth Index during the quarter, returned 6.5% and accounted for nearly one-third of the index return. We are consistently underweight biotech in our Fund given a general lack of congruence with our investment philosophy, which seeks to invest in companies generating significant positive earnings surprises driven by transformative change at the business level.

The positive index return in the quarter was generated against a backdrop of renewed volatility as market participants suddenly became concerned with a myriad of potential issues. We noted the highly abnormal levels of complacency in 2017 during our year-end review, and postulated that a reversion could be in the offing in 2018; this was quickly proved out in February with a dramatic spike in the CBOE's VIX Index (a proxy for volatility) above 50, the highest reading since August 2015. Investors fretted about relations with North Korea, rising interest rates, and a barrage of "off-the-cuff" Tweets by President Trump on a variety of issues including the investigation into his potential ties to Russia, immigration, and U.S. trade policy.

# OBERWEIS SMALL-CAP OPPORTUNITIES FUND

## INVESTOR CLASS (OBFOX)

## INSTITUTIONAL CLASS (OBSIX)

1Q 2018

### The Quarter In Review (continued)

Global economic data remain robust despite these concerns, another interest rate hike by the Federal Reserve, and a 33 basis point increase in 10-year Treasury yields during the quarter. S&P 500 Index operating earnings hit record levels in the fourth quarter and forecasts point to continued growth in 2018. U.S. manufacturing PMI remains at levels indicative of expansion and are similarly robust in Europe and Japan. U.S. manufacturing employment has accelerated since the start of 2017 in support of this growth.

Moreover, there is little evidence of froth or excess in the economy. Real capital goods orders and housing starts are at average historical levels, housing affordability remains a tailwind, and lending standards are well above the levels of the previous decade. Consumer-related metrics like household net worth, debt service ratio, and confidence surveys remain particularly constructive.

Additionally, we believe the Tax Cuts and Jobs Act passed last December will fuel incremental growth in the short-term, although whether that growth will generate enough tax revenue to be deficit-neutral over the long-term still seems highly unlikely. The Congressional Budget Office recently revised upward its estimate for 2018 economic growth to 3.3% as a result of the legislation, and we have also seen upward estimate revisions for companies benefitting from the lower corporate tax rate. This tax change disproportionately benefits small-cap and micro-cap companies and, we believe, is not yet adequately reflected in the valuations of many of our Fund holdings. As a result of this upward pressure, we broadly see average valuations in our universe and continue to find ample new investment opportunities where our assessment of a company's earnings power differs materially from the market's view.

We continue to believe the biggest risk to equity markets in 2018 lies not with a trade war, political rhetoric, or a conflict with North Korea, but rather with interest rates. The Federal Reserve has increased interest rates four times since the beginning of 2017 and is now executing on a balance sheet reduction strategy, which will increasingly represent a monetary headwind as we move through the year. Additionally, we believe policy uncertainty is heightened in the short-term by the leadership change at the Fed to new Chairman Jerome Powell. Incrementally hawkish commentary by the Fed, combined with balance sheet tapering, could elevate interest rates beyond current expectations and put pressure on equity prices.

While the winds of change can swirl in the near-term, our bottom-up investment strategy focuses specifically on investing in companies demonstrating better-than-expected earnings prospects driven by transformative change in the underlying business. While the P/E multiple afforded such opportunities by investors can oscillate from quarter to quarter, we believe that a diversified portfolio of such investments is likely to outperform the market over the intermediate- to long-term.

### Fund Highlights

As of March 31, 2018, the Fund was 94.3% invested in 87 different positions. The Fund had its largest weightings in producer durables (20.1% average weighting during the quarter versus 15.2% for the Russell 2000 Growth Index), technology (19.9% versus 20.0%), and consumer discretionary (19.8% versus 15.5%). The Fund was most underweight health care (16.5% versus 24.3%), materials (4.7% versus 8.3%), and financial services (9.1% versus 10.3%). Health care, primarily because of the aforementioned strength in biotech stocks, was the best-performing sector during the quarter.

In the first quarter the Fund performance was negatively impacted by stock selection in technology (where our holdings returned 0.88% versus a 9.34% return for the benchmark's technology holdings) and producer durables (-5.34% versus -2.26%). The Fund benefitted from positive stock selection in consumer discretionary, materials, and financials sectors.

### Key Benefits

The Small-Cap Opportunities Fund seeks to capitalize on the exceptional growth potential of smaller companies that are often misunderstood by traditional Wall Street research analysts. The Oberweis Small-Cap Opportunities Fund invests, under normal circumstances, at least 80% of its net assets in the securities of companies (with market capitalizations less than \$5 billion at the time of investment) 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 potential key benefits of the Small-Cap Opportunities Fund 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

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.

Minimum Investment:

Oberweis Small-Cap Opportunities Fund Investor Class (OBFOX):  
\$1,000 non-IRA, \$500 IRA

Oberweis Small-Cap Opportunities Fund Institutional Class (OBSIX): \$1.0 million

**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 SMALL-CAP OPPORTUNITIES FUND INVESTOR CLASS (OBFOX) INSTITUTIONAL CLASS (OBSIX)

1Q 2018

## FUND CHARACTERISTICS (AS OF MARCH 31, 2018)

Number of Stocks	87
Weighted Market Capitalization (in millions)	\$2,270
Median Market Capitalization (in millions)	\$1,930
P/E Forward 4 Quarters (estimated)	17.5x
Long-Term Future EPS Group Rate (estimated)	11%
Long-Term Debt to Total Equity	12%
Return on Equity	5%
Cash Position	5.7%
Portfolio Turnover (2017)	137.1%

Source: Thomson Reuters Eikon

## TOP TEN HOLDINGS (as of December 31, 2017)

	Company		Line of Business
1	SkyWest, Inc.	2.7%	Operates a regional airline within North America
2	The Children's Place	2.5%	Retailer that offers value-priced apparel and accessories for children
3	Career Education Corp.	2.3%	Provides for-profit secondary education in the U.S.
4	Extreme Networks, Inc.	2.1%	Provides software-driven networking solutions
5	Cavium, Inc.	2.1%	Provides semiconductor processors that enable intelligent networking
6	Coherent, Inc.	1.9%	Manufactures laser-based photonic products
7	Burlington Stores, Inc.	1.9%	Owns and operates clothing retail stores
8	Tactile System Technology, Inc.	1.8%	Develops medical devices for the treatment of lymphoedema
9	LogMeIn, Inc.	1.8%	Provides a portfolio of cloud-based service offerings which helps people and businesses connect to their workplace, colleagues, and customers
10	Vonage Holdings Corp.	1.7%	Provides telecommunications services

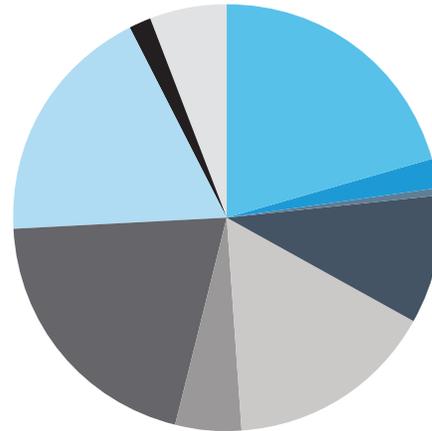
Top 10 holdings as a percentage of Total Net Assets. Portfolio Holdings are subject to change at any time. References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable. Source: Thomson Reuters Eikon

**OBERWEIS SMALL-CAP OPPORTUNITIES FUND  
INVESTOR CLASS (OBSOX)  
INSTITUTIONAL CLASS (OBSIX)**

1Q 2018

**SECTOR WEIGHTINGS (as of March 31, 2018)**

Consumer Discretionary	20.6%
Consumer Staples	2.3%
Energy	0.6%
Financial Services	9.8%
Health Care	15.6%
Materials & Processing	5.2%
Producer Durables	20.2%
Technology	18.4%
Utilities	1.6%
Cash	5.7%
<b>Total</b>	<b>100.0%</b>



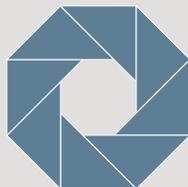
Sector weightings as a percentage of Total Net Assets. Source: Thomson Reuters Eikon

**GROWTH OF \$10,000 — WITH INCOME INVESTED (September 15, 1996–March 31, 2018)**



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](#)