

INTERNATIONAL OPPORTUNITIES STRATEGY

3Q 2018

The Quarter in Review

During the third quarter, the Oberweis International Opportunities Composite returned -2.40% (-2.67% net of fees) versus a -1.38% return for the MSCI World ex-USA Small-Cap Growth Index (the “Benchmark”). On a year-to-date basis, the Composite returned -1.56% (-2.32% net of fees) versus -0.36% for the Benchmark. Although we anticipate year-by-year fluctuations, we believe the strategy’s long-term track record demonstrates an ability to generate significant alpha over a full market cycle.

Much of 2018 has been dominated by uncertainty over global trade as the Trump administration pressed forward with tariffs and demands for revised trade agreements with all major counterparties. Against this uncertain backdrop, market movements seemed to suggest that the U.S. would be the relative winner and the performance delta among global equities has been quite significant. International small-cap growth stocks trailed those in the U.S. by 690 bps in 3Q and 1,608 bps for the first nine months of 2018, generally attributable to stronger U.S. economic growth, an appreciating U.S. dollar, and rising U.S. interest rates.

Within international markets, Japanese large-caps performed well, gaining 3.77% (as measured by the MSCI Japan Index), but Japanese small-caps lagged their larger brethren by 381 bps for the quarter. Within our small-cap growth benchmark, Japanese small-cap growth stocks returned -1.41% for the quarter and Japan represented our largest country detractor. In the U.K. and throughout much of the European Union, politics also weighed on stock prices as both the MSCI United Kingdom Small Cap Growth and the MSCI Europe Small Growth indices slightly underperformed relative to the Benchmark. The market seemingly feared the EU’s reaction to a budget proposal from the new populist Italian government and the prospect of another Brexit vote. Despite the political uncertainty, the U.K. was our most positive contributing country, driven by positive stock selection.

While developed markets showed little sign of strain, emerging markets felt significant pain. Trade uncertainty, higher oil prices, and rising U.S. interest rates formed a headwind trifecta for emerging markets, especially China. In the third quarter, the MSCI Emerging Markets Small Cap Growth index significantly underperformed both developed markets and U.S. small cap growth stocks. The big question is whether the turmoil felt in emerging markets will spread to the developed world. In the third quarter, that did not happen, although volatility has already moved higher in the first week of October.

Outlook

After a strong year-to-date outperformance by U.S. equities, developed world equities outside the U.S. appear to be under-owned. While economic activity has been better in the States, research firm IIF found that U.S. equities are approximately 8% over-allocated compared to historical averages. As a result, overseas equities may be underestimated and offer opportunity if earnings growth can continue.

However, we are not yet out of the woods as it relates to uncertainty regarding trade and tariffs, and we are starting to see trade uncertainties impacting company financials. Although we are early in the fourth quarter, a number of global companies have complained about higher input costs and/or somewhat softer pockets of demand due to the fallout from tariffs. As a result, we continue to be somewhat cautious on economically sensitive areas like industrials and metals. Healthcare has been a relative winner so far this year as this sector remains most insulated from trade. Our underweight to healthcare has therefore hurt our performance, but we believe valuations have been and continue to look relatively expensive to us. We remain underweight as we enter the fourth quarter.

The last time we witnessed such an outperformance of U.S. equities relative to the rest of the developed world was during 2014. Today feels similar as there was much to worry about back then as well: Europe was struggling to see earnings improvement after the global financial crisis, while economic and earnings growth in the U.S. was far stronger. During the subsequent twelve months, however, we saw stronger returns for international small cap growth stocks as investors ultimately sought value in under-owned equities overseas. Such a set-up may be in the cards if a positive resolution on trade can be reached. While we are unable to predict how the trade dilemma will unfold, it remains clear that a positive resolution remains in everyone’s best interests.

Portfolio Highlights

At quarter-end, the portfolio was invested in 89 stocks in 16 countries. Our top five country weightings (portfolio weighting versus the MSCI World ex-USA Small Cap Growth Index) at the end of the quarter were Japan (23.1% vs. 27.9%), the United Kingdom (14.6% vs. 16.4%), Australia (9.2% vs. 6.3%), Canada (8.3% vs. 8.8%) and Germany (6.7% vs. 5.9%). On a sector basis, the portfolio is overweight information technology (23.0% vs. 14.9%) and underweight consumer discretionary (9.4% vs. 15.9%).

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

COUNTRY ALLOCATION*

(AS OF SEPTEMBER 30, 2018)

	International Opportunities	MSCI World ex-US Small-Cap Growth Index
Japan	23.1%	27.9%
United Kingdom	14.6%	16.4%
Australia	9.2%	6.3%
Canada	8.3%	8.8%
Germany	6.7%	5.9%
Sweden	6.2%	5.8%
China	6.0%	0.0%
France	5.2%	4.0%
Denmark	4.8%	2.4%
Netherlands	2.8%	2.2%
Switzerland	2.6%	4.7%
Italy	0.0%	2.9%
Spain	1.1%	2.0%
Other Countries	5.0%	10.7%
Cash	4.4%	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

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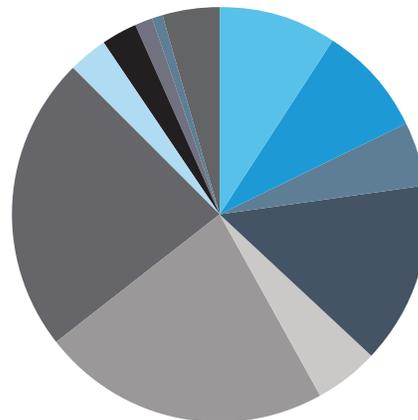
TOP TEN HOLDINGS (as of September 30, 2018)

Company		Line of Business
1	Burford Capital Ltd. 3.1%	Market leader in providing litigation finance, investing its own balance sheet and 3rd party funds
2	Teleperformance 2.6%	International provider of outsourced call centers and customer management services
3	ASR Nederland 2.3%	Dutch based and focused insurance company, both life and non-life products
4	Intermediate Capital Group 2.2%	Private equity company investing in international debt products based in the United Kingdom
5	Keywords Studios 2.0%	Provides technical and consulting services to the video gaming industry
6	Sodastream International Ltd. 1.8%	Global leader in home carbonation kits
7	Systema Corp. 1.8%	Japan-based IT system integrator and imbedded software developer
8	Edenred 1.8%	French-based global market leading prepaid voucher business
9	Simcorp 1.8%	Global provider of asset management software
10	Afterpay Touch Group Ltd. 1.8%	Australian-based payments 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

SECTOR WEIGHTINGS (as of September 30, 2018)

Consumer Discretionary	9.4%
Consumer Staples	8.6%
Energy	5.0%
Financials	14.0%
Health Care	5.1%
Industrials	22.5%
Information Technology	23.0%
Materials	3.1%
Real Estate	2.9%
Communication Services	1.2%
Utilities	0.8%
Cash	4.4%
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.

INTERNATIONAL OPPORTUNITIES

3Q 2018

AVERAGE ANNUAL TOTAL RETURNS (as of September 30, 2018)

	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 2/1/2007
International Opportunities (gross of fees)	-2.40%	-1.56%	6.13%	13.21%	11.59%	14.52%	11.85%
International Opportunities (net of fees)	-2.67%	-2.32%	5.11%	12.13%	10.52%	13.34%	10.70%
MSCI World ex-US Small-Cap Growth Index	-1.38%	-0.36%	6.05%	13.31%	8.24%	9.39%	4.77%

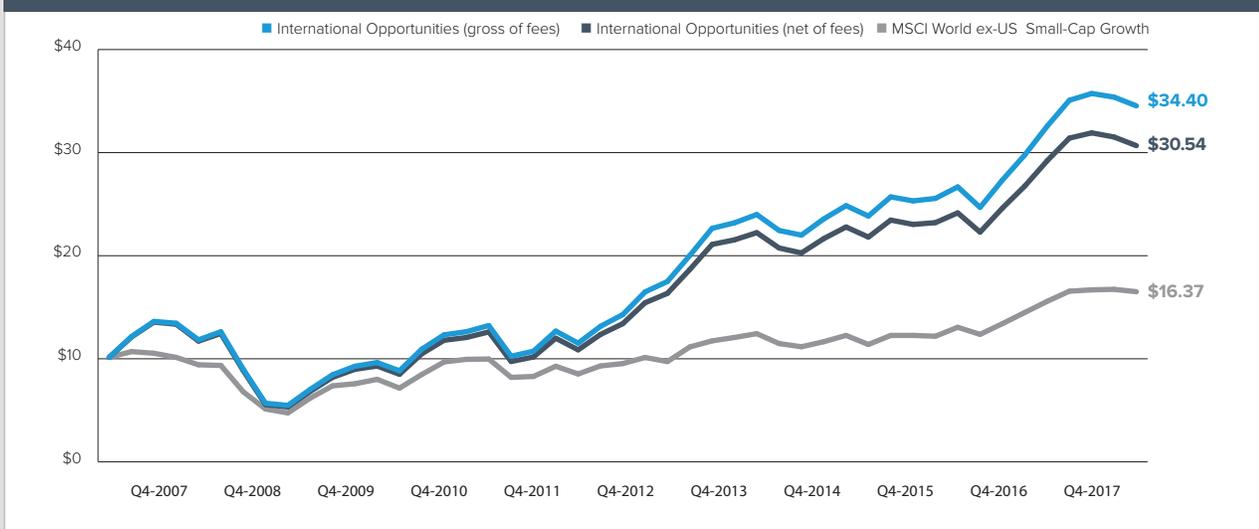
Oberweis Asset Management, Inc. ("OAM") is an independent investment management firm that is not affiliated with any parent organization. The composite returns are comprised of all fully discretionary accounts with a minimum value of \$5 million. Performance results from 2-1-07 until 7-31-08, were derived 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 – September 30, 2018)



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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