

CONCENTRATED SMALL-CAP GROWTH STRATEGY

1Q 2019

The Quarter in Review

The Oberweis Concentrated Small-Cap Growth Composite returned 10.33% (-10.18% net of fees) during the March quarter versus a 17.14% return for the benchmark Russell 2000 Growth Index.

The performance deficiency during the quarter is related mainly to our stock selection in the healthcare sector, which negatively impacted the portfolio by nearly 600 basis points. Our portfolio holdings in healthcare, which represented our largest exposure at an average weight of 33.9% during the quarter versus 25.6% for the benchmark, returned 1.6% versus 18.7% for the benchmark's healthcare holdings. The concentrated nature of the portfolio (33 stocks at quarter-end) exacerbated the impact of these moves on total portfolio performance. While we are not pleased with our performance during the quarter, the simultaneous and consistent nature of the decline suggests to us more of a macro-driven, short-term move independent of fundamentals, which we believe are quite strong for all of the aforementioned companies. We are confident company-specific factors will ultimately drive value in the intermediate- to long-term.

The strength in U.S. equities follows the extreme volatility and weakness endured during the fourth quarter of 2018, when small-cap stocks fell so precipitously they technically entered a bear market¹. We noted in our year-end commentary that fear was palpable as we exited 2018 and that the resulting decline in equity valuations represented the most compelling investment opportunity in our market segment since late 2011. Interestingly, that was the last time markets discounted an "earnings recession," and it was also the last time cyclical stocks were as cheap relative to defensive-oriented issues.

A lot can change in the course of a quarter. As stocks and Santa simultaneously tumbled down the chimney on Christmas Eve, the laundry list of concerns that led to extreme negative sentiment readings was quite long. One of the biggest centered on U.S. monetary policy, as the Federal Reserve under new Chairman Jerome Powell had moved to a hawkish stance. While Fed Funds futures in early December predicted four rate hikes in 2019 (on top of four hikes in 2018), a mere three months hence they signal better than even odds of a rate cut late this year or early in 2020, a pretty dramatic reversal. This policy shift by the Fed includes the suspension of its balance sheet reduction strategy – at least for the time being. Muted and persistent inflation readings below its 2% target appear to provide the Fed with appropriate cover.

Investors were also worried the stock market decline itself could portend a recession, a connection we noted wasn't necessarily supported by the data². Admittedly, economic readings globally have softened a bit to start the year, likely driven in part by uncertainty related to continued trade negotiations and tensions between the U.S. and China. U.S. real GDP growth decelerated to 2.2% in the fourth quarter and the Atlanta Fed projects similarly tepid growth of 2.3% in the first quarter of 2019. In March, the Manufacturing Purchasing Managers Index fell below 50 in Germany, France, Italy, Japan, Korea, and Taiwan, but was countered by expansionary readings in the U.S., China, the UK, and Brazil. Despite the lackluster economic data, we continue to find a typical number of new investment ideas where companies have reported significant positive earnings surprises driven by transformative changes that appear to be misunderstood or under-estimated by the consensus.

Much has also been made since last fall in the financial media about a yield curve inversion as a predictor of economic recession and stock market turbulence. Again, we believe the historical data are mixed. While it's true that parts of the yield curve are currently inverted, we consider the 10-year/2-year yield spread to be more meaningful, and that reading remains above zero. Certainly a flattening yield curve flashes a yellow caution sign in terms of future economic growth prospects, but we believe the leap to gloom and doom is likely over-stated.

Despite the first quarter equity surge, the consensus hasn't really jumped on the bandwagon and seems biased toward skepticism. In our experience, market tops tend to occur when valuations are high and sentiment is over-flowing with optimism. While there are real risks to consider, we wonder if investors are again being too cautious, letting short-term focus and risk asymmetry distract from long-term compounding returns in equities. Certainly since the financial crisis, many investors have consistently been too fearful, missing out on above-average opportunities (like late 2018) to invest in stocks. Equity outflows in the fourth quarter were the worst experienced since the housing market imploded, and that trend continued throughout the first quarter of 2019. As of today, bearish views on equities still have much to prove given a more

¹ Using the commonly accepted definition that a bear market occurs when stocks decline 20%. During 4Q18, the Russell 2000 Growth Index declined 21.65%.

² Small-cap bear market declines in excess of 20% in 1998, 2010, 2011, and 2015-2016 all occurred during non-recessionary economic environments.

The Quarter in Review (continued)

dovish Fed. Nonetheless, the current State Street North American Investor Confidence Index (which measures investor confidence or risk appetite by analyzing the actual buying and selling patterns of institutional investors in North America) hit an all-time low in a dataset that dates to 1998 and includes two bubbles. Such pessimism suggests muted investor expectations, a positive for our relative-to-expectations approach. While our asset class and strategy-level valuations are not as cheap as they were at the beginning of the year, many individual secular growth ideas continue to be attractive.

Looking forward, we think the inflection point is linked to the U.S.-China trade issue. We believe recent economic weakness and the resulting impact on corporate earnings in early 2019 is tied to the uncertainty regarding the path forward with trade. Discussions we've had with management teams suggest caution pending more trade clarity and, hopefully, a favorable outcome. A "win-win" deal between the two countries should result in a re-acceleration in economic growth, boosted by some pent-up demand as tentative management teams reverse course. A negative outcome that leads to additional protectionist measures could very well tip the global economy into recession and throw a wet blanket on equities until the smoke clears. We still believe there is ample motivation for both countries to take the high road.

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.

PORTFOLIO CHARACTERISTICS

(AS OF MARCH 31, 2019)

Number of Stocks	32
Weighted Market Capitalization (in millions)	\$2,533
Median Market Capitalization (in millions)	\$2,197
P/E Forward 4 Quarters (estimated)	12.7x
Long-Term Future EPS Growth Rate (estimated)	14.4x
Long-Term Debt to Total Equity	10.1%
Return on Equity	7.5%
Cash Position	0.8%
Portfolio Turnover (2018)	73.0%

Source: Thomson Reuters Eikon

Portfolio Highlights

As of December 31, 2018, the portfolio was 97.8% invested in 35 different positions. The portfolio had its largest weightings in health care (33.1% average weighting during the quarter versus 25.8% for the Russell 2000 Growth Index), technology (21.5% versus 16.0%), and consumer discretionary (15.0% versus 18.2%). In addition to consumer discretionary, the portfolio was most underweight producer durables (9.5% versus 15.6%) and financial services (7.1% versus 10.6%).

In the fourth quarter the portfolio was positively impacted by stock selection in health care (where our holdings returned -22.46% versus a -25.56% return for the benchmark's health care holdings) and technology (-14.34% versus -18.95%). The portfolio was negatively impacted by stock selection in financial services (-28.58% versus -16.45%) and producer durables (-31.12% versus -21.04%).

Key Benefits

The Concentrated Small-Cap Growth captures and highlights our domestic investment team's stock selection skill over a full market cycle by generally investing in the 25-35 highest conviction ideas from our domestic smaller-cap growth strategies. This strategy helps investors capitalize on the exceptional growth potential of fast-growing emerging companies in the rapid expansion phase of their lifecycle. The Concentrated Small-Cap Growth strategy generally invests in companies with market capitalizations under \$5 billion at the time of purchase.

The key benefits of the Concentrated Small-Cap Growth strategy are:

- Exposure to approximately 30-40 of our team's highest conviction ideas
- Potential for significant alpha over a full market cycle
- Emphasizes rapidly growing smaller-cap companies in the most dynamic phase of their development
- Disciplined and repeatable investment process managed by a passionate and experienced investment team
- Fully invested portfolio - no market timing

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

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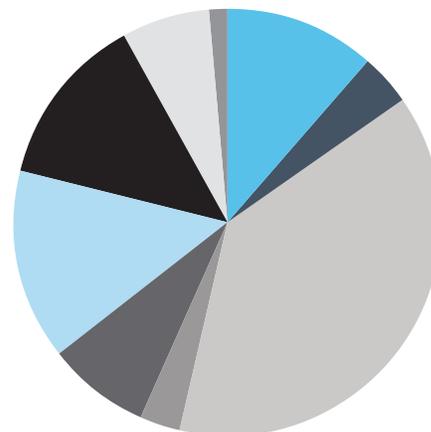
TOP TEN HOLDINGS (as of March 31, 2019)

Company		Line of Business
1	Tandem Diabetes Care, Inc.	5.3% Develops pump systems for diabetes patients
2	Mellanox Technologies Ltd.	4.6% Designs and develops high-performance interconnect products
3	Biotelemetry, Inc.	4.5% Provides cardiac monitoring services and products
4	Skywest, Inc.	4.2% Operates a regional airline
5	HMS Holdings Corp.	3.9% Provides cost containment services for commercial and government healthcare payors
6	Deckers Outdoor Corp.	3.9% Designs and markets footwear and accessories
7	Atricure, Inc.	3.9% Develops treatments for irregular heartbeats and stroke prevention
8	Vericle Corp.	3.8% Develops cell therapy products for the treatment of patients in the sports medicine and burn care markets
9	Cyber-Ark Software	3.6% Provides IT security solutions
10	Staar Surgical Co.	3.5% Develops implantable lenses for the eye to improve a patient's vision

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 March 31, 2019)

Consumer Discretionary	11.6%
Consumer Staples	0.0%
Energy	0.0%
Financial Services	5.0%
Health Care	35.3%
Materials & Processing	9.6%
Producer Durables	10.8%
Technology	26.9%
Utilities	0.0%
Cash	0.8%
Total	100.0%



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

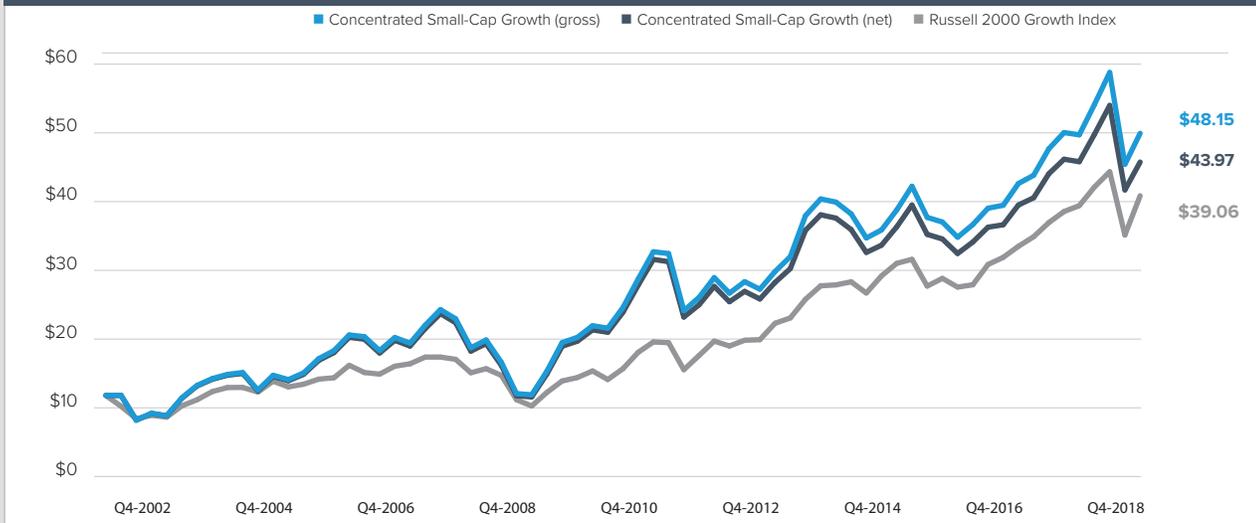
AVERAGE ANNUAL TOTAL RETURNS (as of March 31, 2019)

	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 5/1/2002
Concentrated Small-Cap Growth (gross of fees)	10.33%	0.44%	13.39%	4.77%	16.90%	9.74%
Concentrated Small-Cap Growth (net of fees)	10.18%	-0.13%	12.77%	4.19%	16.20%	9.15%
Russell 2000 Growth Index	17.14%	3.85%	14.87%	8.41%	16.52%	8.53%

Oberweis Asset Management, Inc. ("OAM") is an independent investment management firm that is not affiliated with any parent organization. The composite includes all fully discretionary accounts which invest at least 70% of their assets in the securities of U.S. traded companies with a market capitalization between \$100 million and \$2.5 billion at the time of investment. Beginning October 2010, the composite includes accounts managed with similar investment objectives that charge a bundled fee for investment advisory and administrative services. Effective January 1, 2008, portfolios with a market value of under \$5 million will be included in the composite. Prior to January 1, 2008, the minimum market value for portfolios to be included in a composite was \$5 million. From inception to 12-31-10, the composite name was Concentrated Smid-Cap Growth Equity. 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.

GROWTH OF \$10 MILLION — WITH INCOME INVESTED (May 1, 2002– March 31, 2019)


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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