

## INTERNATIONAL OPPORTUNITIES STRATEGY

2Q 2019

### The Quarter in Review

We are pleased to report favorable results for the second quarter and first half of 2019. For the quarter, the Oberweis International Opportunities Composite returned 3.61% (3.38% net of fees) versus 2.59% for the MSCI World ex USA Small Cap Growth Index, for an excess return of 102bps (79 basis points net of fees). For the first half of 2019, the Oberweis International Opportunities Composite returned 20.21% (19.68% net of fees) versus 15.64% for the MSCI World ex USA Small Cap Growth Index, for an excess return of 457bps (404 basis points net of fees).

Global equities inched higher in the second quarter, adding to the strong gains of the first quarter, amid rising expectations for continued accommodative monetary policy. Softening global manufacturing data and heightened uncertainty around trade have kept hawks at bay. As a result, demand for the safety of bonds increased, pushing approximately \$13 trillion of global debt into negative yield. Gold, Bitcoin and so-called bond proxies such as utilities and staples witnessed strong performance. The massive inflows to bonds and income-oriented equities give us reason to pause. We tend to avoid the expensive valuation typical of “the crowded trade,” and today’s “search for yield” seems to be one such example. As a result, we remain underweight real estate and utilities.

Stock selection was particularly strong this quarter. While country and sector allocation effects were neutral, stock selection accounted for all of the second quarter’s alpha. The opportunity to cast a global net makes it a little easier to build a portfolio of ideas that are not as greatly directly dependent on GDP growth, irrespective of sector. The portfolio benefited from stock selection in industrials and materials, bolstered by gains in an Australian aerial imaging company and in a well-run Australian gold miner. The portfolio is underweight traditional materials such as heavy machinery, as we believe that trade tensions remain too big of an obstacle to predict. We did find an increasing number of healthcare ideas, which tend to be more immune to minor changes in global economic growth. At the country level, Australia was our largest overweight and among our biggest alpha generator this quarter, largely driven by companies that started their products and services within Australia but have grown globally over time. France, Belgium and Canada also contributed positively, primarily due to strong stock selection. Japan remained a challenge, being our largest country detractor. In Japan, companies with negative revisions did better than those experiencing positive earnings revisions (the types of companies we seek to own) in the second quarter.

### Outlook

We remain positive on global equities relative to last quarter. Even with the S&P 500 near an all-time high, investor sentiment remains decidedly pessimistic. The most recent Merrill Lynch fund flow survey suggests that investors are the most bearish that they have been since the global financial crisis. Cash allocation is among the highest in 16 years, equity allocation the lowest since March 2009 and, helped by falling inflation expectations, bond allocation near an 8 year high. Historically these measures have proven to be good contrarian indicators, especially when positioned towards the extreme end. Bull markets rarely end amid negative investor sentiment.

Also, at the individual company level, earnings expectations at international small-cap firms have remained conservative, driven by the dual uncertainties of tariffs and soft global manufacturing data. A low bar in earnings guidance makes it easier for companies to beat expectations, even while recognizing the risks ahead. We saw a similar dynamic in the second quarter with European stocks, where expectations called for muted growth. Europe’s growth has not been great but still better than expectations. Europe ended up posting the highest earnings revisions ratio in the world. Expectations were so low that a mediocre reality still beat expectations.

From our vantage point, our “relative-to-expectations” strategy tends to fare well when expectations are not too high, and we believe that to be the case today. Investor sentiment appears to be tilted toward bonds over equities. Within equities, investors favor US over international. At the companies themselves, management teams have kept investor earnings expectations in check. In short, the stage of low expectations has been set, and even modest results ahead of expectations would surprise positively.

## Portfolio Highlights

At quarter-end, the portfolio was invested in 74 stocks in 15 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 the United Kingdom (20.0% vs. 15.4%), Japan (16.8% vs. 27.1%), Australia (14.4% vs. 7.3%), Canada (9.7% vs. 8.6%), and France (8.5% vs. 3.3%).

On a sector basis, the portfolio is overweight Information Technology (20.6% vs. 14.0%) and underweight Real Estate (0.0% vs. 7.0%).

## 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 JUNE 30, 2019)

	International Opportunities	MSCI World ex-US Small-Cap Growth Index
United Kingdom	20.0%	15.4%
Japan	16.8%	27.1%
Australia	14.4%	7.3%
Canada	9.7%	8.6%
France	8.5%	3.3%
Sweden	6.1%	6.3%
Belgium	4.7%	2.1%
China	4.4%	0.0%
Germany	4.0%	6.0%
Netherlands	3.9%	2.6%
Switzerland	0.2%	4.5%
Italy	1.3%	3.0%
Denmark	1.4%	2.3%
Other Countries	3.0%	11.5%
Cash	1.6%	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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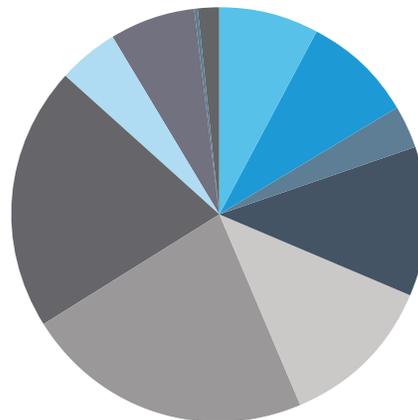
**TOP TEN HOLDINGS (as of June 30, 2019)**

Company		Line of Business
1	Evolution Mining	4.3% Australian gold miner
2	Afterpay Touch Group Ltd.	4.1% Australian-based payments company
3	Burford Capital Ltd.	3.4% Market leader in providing litigation finance, investing its own balance sheet and 3rd party funds
4	Tele2 AB	2.9% Swedish mobile and fixed telecommunications company
5	GW Pharmaceuticals	2.9% Leading global provider of cannabinoid prescription products
6	Intermediate Capital Group	2.8% Private equity company investing in international debt products based in the United Kingdom
7	Sushiro Global Holdings Ltd.	2.5% Operates a chain of sushi restaurants in Japan and overseas
8	Evolution Gaming Group	2.5% Leading provider of live online casino games
9	Soitec	2.3% Leading global provider of silicon on insulator wafers
10	Edenred	2.3% French based global payments solutions business, originally a voucher business, now reaching in to B2B payments

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 June 30, 2019)**

Consumer Discretionary	7.8%
Consumer Staples	8.8%
Energy	3.2%
Financials	11.7%
Health Care	12.2%
Industrials	22.6%
Information Technology	20.6%
Materials	4.6%
Real Estate	0.0%
Communication Services	6.7%
Utilities	0.2%
Cash	1.6%
<b>Total</b>	<b>100.0%</b>



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](http://www.msci.com).

# INTERNATIONAL OPPORTUNITIES

2Q 2019

## AVERAGE ANNUAL TOTAL RETURNS (as of June 30, 2019)

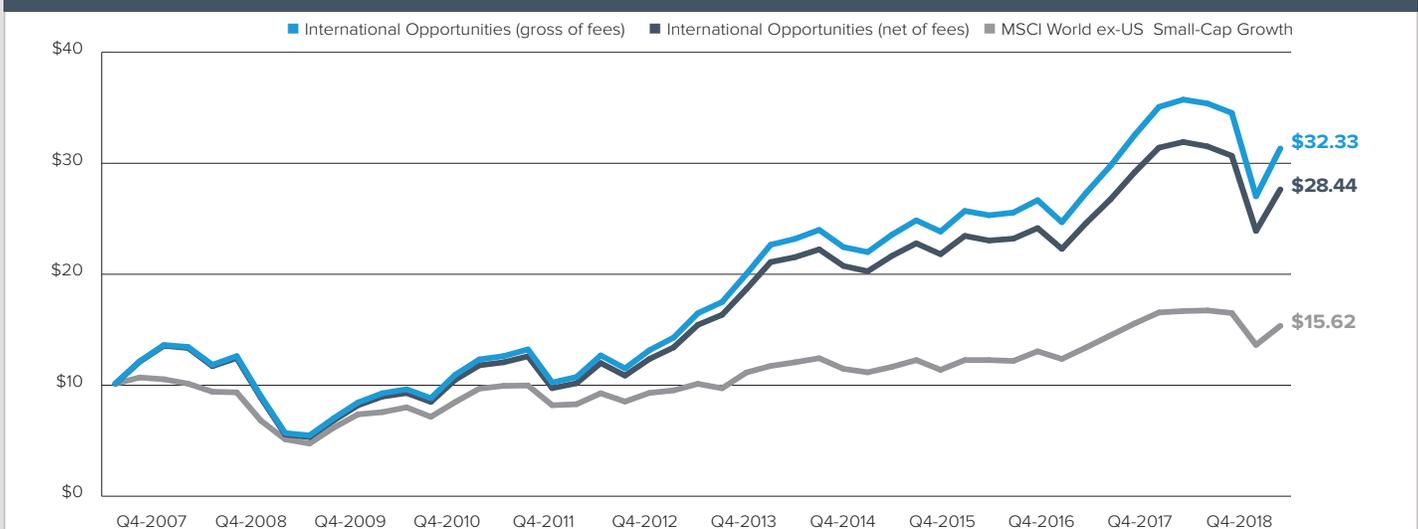
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 2/1/2007
<b>International Opportunities (gross of fees)</b>	<b>3.61%</b>	<b>20.21%</b>	<b>-8.28%</b>	<b>8.34%</b>	<b>6.26%</b>	<b>16.72%</b>	<b>10.54%</b>
<b>International Opportunities (net of fees)</b>	<b>3.38%</b>	<b>19.68%</b>	<b>-9.34%</b>	<b>7.24%</b>	<b>5.18%</b>	<b>15.58%</b>	<b>9.40%</b>
MSCI World ex-US Small-Cap Growth Index	2.59%	15.64%	-5.90%	9.03%	4.89%	9.96%	4.08%

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.

## GROWTH OF \$10 MILLION — WITH INCOME INVESTED (February 1, 2007 – June 30 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.

[MEET THE TEAM](#)