Oberweis
Asset Management

SMALL-CAP OPPORTUNITIES STRATEGY

4Q 2020

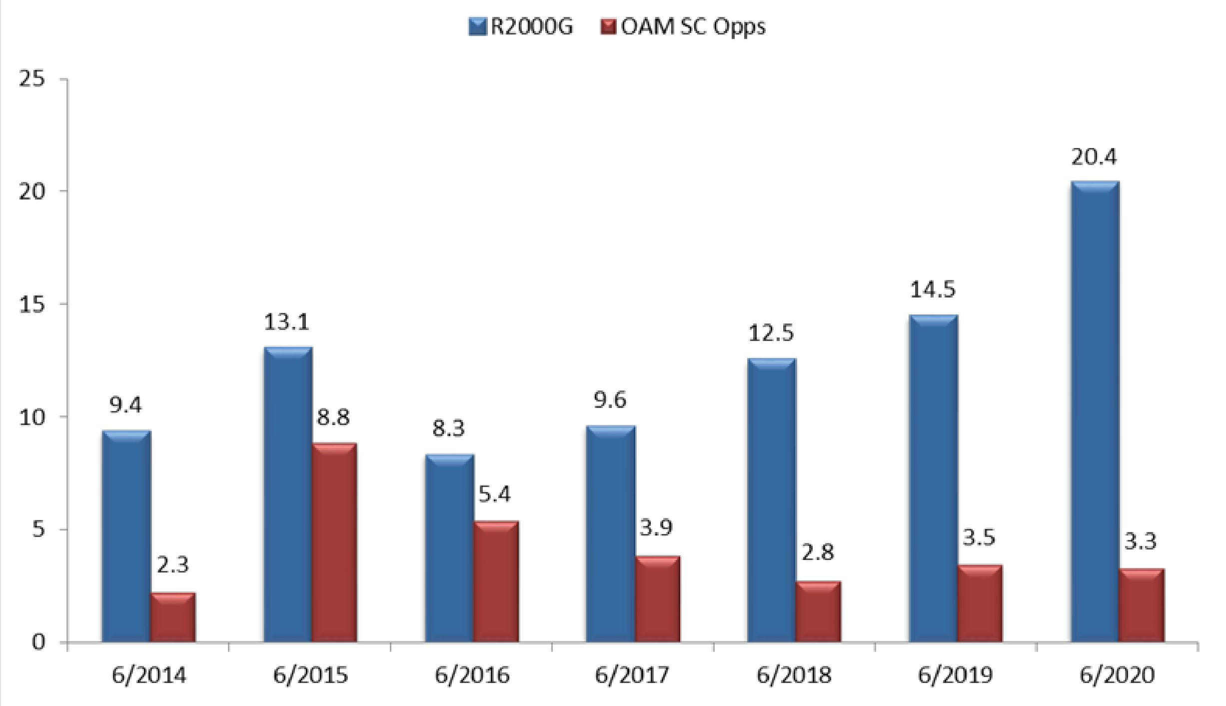
The Quarter amd Year in Review

The Oberweis Small-Cap Opportunities Composite returned 25.66% (25.62% net of fees) in the fourth quarter of 2020 compared to 29.61% for the Russell 2000 Growth Index, a shortfall of 395 basis points (399 basis points net of fees). For the year, the Composite posted a strong absolute return of 34.06% (33.26% net of fees) but lagged the benchmark return of 34.63% by 57 basis points (137 basis points net of fees).

2020 was a remarkable and surprising year in the equity market, particularly against a backdrop of a global economic recession triggered by the onslaught of Covid-19. Returns in the fourth quarter were particularly robust, but there were notable winners and losers. Large caps again outperformed small-caps[1.] although to a lesser extent than they did in 2019. Growth stocks trounced value stocks during the year[2].

Within growth, however, the rising tide did not lift all boats. Returns for the full year and the fourth quarter were driven by biotechs, unprofitable companies[3], and low return-on-equity companies, characteristics we find undesirable given our disciplined investment philosophy. The environment throughout the year was challenging for our investment style, which focuses on investing in companies that are generally profitable or close to profitability with the potential to generate significant positive earnings surprises.

Instead, during 2020, investors shunned companies with profitability and earnings at a rate we last witnessed in 1999. The biggest drag on relative performance was our significant underweighting in biotech stocks, which continued their remarkable run that started in October 2019. Biotechs returned 55.4% during 2020 and over 135% from the correction low on March 18th, far outpacing the benchmark. Small-cap biotech companies tend to be unprofitable and are often driven by future binary events, attributes which are inconsistent with our investment style and leads to a consistent underweight in the portfolio. Biotechs have had good years and bad years over time (for example, biotechs dropped over 20% in 2016 and 19% in 2018), and typically biotech stocks tend to trade in unison where upside moves are often tied to increased appetite for risk. Last year, interest rates collapsed and the Federal Reserve aggressively provided record levels of monetary stimulus, causing risk appetites – and biotech stocks en masse – to soar. Historically, biotechs represented a relatively stable allocation within the benchmark, but more recently have become a much larger percentage and increasingly account for a greater proportion of our short-term performance volatility compared to the index (see below).



[1] During 2020, the Russell 1000 Growth Index returned 38.49% versus 34.63% for the Russell 2000 Growth Index, a difference of 386 basis points.
[2] During 2020, the Russell 2000 Growth Index returned 34.63% versus 4.63% for the Russell 2000 Value Index, a difference of 3,000 basis points.
[3] Non-earners outperformed all P/E quintiles of the Russell 2000 Growth Index during 2020 and the fourth quarter.

The Quarter and Year in Review (continued)

Unprofitable companies (some of which are the aforementioned biotechs) and the most expensive stocks also led the market in 2020, with non-earners returning nearly 67% and the highest P/E quintile returning over 48%; the remaining four P/E quintiles in the Russell 2000 Growth Index averaged only 10.7% for the year , substantially underperforming the overall index return. Companies generating low returns on equity – where we have limited exposure – outperformed by a wide margin (see table below). The vast majority of our investments are in profitable companies generating free cash flow or companies on the verge of profitability. In our experience, profitable companies demonstrate and confirm the viability of a business model and are less-dependent on capital markets to fund future growth because of internal cash generation. Our focus on profitability reduces downside risk just when it's most likely that capital markets will tighten for small-cap companies.

Russell 2000 Growth Index 2020 Performance by ROE Quintile and Small Cap Opportunities Portfolio Weighting by ROE Quintile

	'20 Return	OAM SC Opps Weight
Highest ROE Quintile 1	22.79%	23.2%
ROE Quintile 2	10.76%	26.6%
ROE Quintile 3	26.59%	34.4%
ROE Quintile 4	82.74%	11.2%
Lowest ROE Quintile 5	56.34%	5.5%

While there has been much discussion in the financial media about stretched valuations for S&P 500 companies, we still find valuations in our portfolio and in our investible universe to be more favorable than normal. Moreover, we've seen our universe expand as the economy begins to recover and companies report earnings surprises against low expectations. Combined, these two characteristics leave us excited about our holdings as we turn the calendar. Within the portfolio, we have countless stocks that offer attractive upside based on their potential for earnings surprises and our proprietary earnings estimates: an ecommerce technology company that grew earnings 67% last quarter and trades less than 15x our 2021 estimate; a bedding manufacturer and retailer that grew earnings 124% and trades for 13x; and an interior/exterior door manufacturer that grew earnings 100% and trades for only 12x.

Still, the year ahead presents risks beyond our collective ability to escape the pandemic for good. When Covid-19 does subside, expect increasing attention on what it cost to weather the storm and a renewed focus on the exploding federal debt. Inflation, which is still in check and, importantly, is expected to remain so, is another potential concern. Unexpected acceleration in prices could force the Fed to revise its previously telegraphed plans and become more hawkish sooner, leading to higher interest rates. Finally, political uncertainty remains high in the U.S. going into President-elect Biden's first term, and potential Democratic policies regarding taxation and welfare-type programs may jostle the market as we move through 2021.

No matter what happens in the short-term, our bottom-up strategy has always focused on investing in businesses with idiosyncratic attributes that afford the potential for earnings growth to surprise materially to the upside. These companies are undergoing a transformational change or event that we believe is potentially misunderstood or underestimated by the consensus. While the earnings multiples afforded such companies can oscillate from quarter to quarter, we believe that prudent selection of a diversified portfolio of these companies is likely to outperform the benchmark over the long-term.

[4] Performance of the Russell 2000 Growth Index in 2020 from the lowest P/E quintile to the highest P/E quintile = --2.36%, +3.79%, +10.89%, +30.59% (average of these four quintiles = +10.7%), and +48.79%. Non-earners returned +66.74%.

SMALL-CAP OPPORTUNITIES

4Q 2020

Portfolio Highlights

As of December 31, 2020, the portfolio was 100.0% invested in 68 different positions. The portfolio had its largest over-weightings in technology (34.4% average weighting during the quarter versus 19.9% for the Russell 2000 Growth Index), producer durables (14.7% versus 10.5%), and consumer discretionary (16.7% versus 14.1%). The portfolio was most underweight healthcare (15.3% versus 33.3%, due mainly to a significant underweight in biotech issues), financial services (5.7% versus 8.3%), and utilities (0.5% versus 3.0%). Much of the difference in healthcare is due to our consistent and significant biotech underweight.

Performance in the fourth quarter was positively impacted by stock selection in producer durables (where our holdings returned 35.08% versus a 27.63% return for the benchmark's producer durables holdings), while performance was negatively impacted by stock selection in consumer discretionary (17.61% versus 24.25%).

PORTFOLIO CHARACTERISTICS
(AS OF DECEMBER 31, 2020)

Number of Stocks	68
Weighted Market Capitalization (in millions)	$3,637
Median Market Capitalization (in millions)	$3,399
P/E Forward 4 Quarters (estimated)	15.4x
Long-Term Future EPS Group Rate (estimated)	7.1%
Long-Term Debt to Total Equity	11.5%
Return on Equity	6.8%
Cash Position	0.0%
Portfolio Turnover (2020)	142.3%

Source: Thomson Reuters Eikon

Key Benefits

The Small-Cap Opportunities strategy seeks to capitalize on the exceptional growth potential of smaller companies that are often misunderstood by traditional Wall Street research analysts. The Small-Cap Opportunities strategy generally invests in companies (with market capitalizations under $5.0 billion at the time of purchase) 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 key benefits of the Small-Cap Opportunities strategy 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

Minimum Account Size: $5 million for Institutional Account Management

SMALL-CAP OPPORTUNITIES

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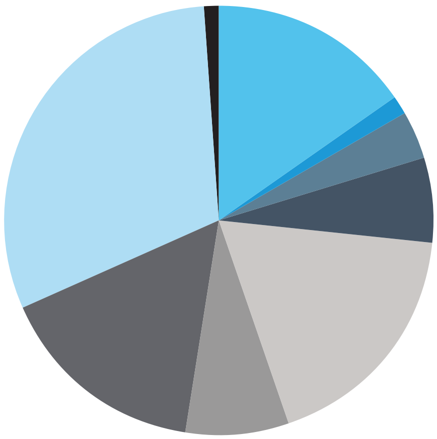
TOP TEN HOLDINGS *(as of December 31, 2020)*

	Company		Line of Business
1	Upwork, Inc.	5.5%	Provides online recruitment services
2	CareDx, Inc.	3.6%	Provides diagnostic testing services for transplant patients
3	Shutterstock, Inc.	3.4%	Operates a marketplace for digital imagery
4	Tupperware Corp.	3.1%	Consumer products company focusing on kitchen and home storage
5	Tempur Sealy International, Inc.	2.9%	Manufactures and markets bedding products
6	Castle Biosciences, Inc.	2.9%	Provides components for the semiconductor industry
7	ChannelAdvisor Corp.	2.6%	Provides e-commerce channel management solutions
8	Immode Ltd.	2.2%	Develops aesthetic treatment systems
9	Golden Nugget Online Gaming, Inc.	2.0%	Operates an online gaming company
10	Masonite International Corp.	2.0%	Manufactures residential and commerciall doors

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, 2020)*

Consumer Discretionary	15.3%
Consumer Staples	1.5%
Energy	3.6%
Financial Services	6.3%
Health Care	18.3%
Materials & Processing	7.7%
Producer Durables	15.9%
Technology	30.5%
Utilities	0.9%
Cash	0.0%
Total	100.0%



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

Oberweis Asset Management

SMALL-CAP OPPORTUNITIES

4Q 2020

AVERAGE ANNUAL TOTAL RETURNS ***(as of December 31, 2020)***

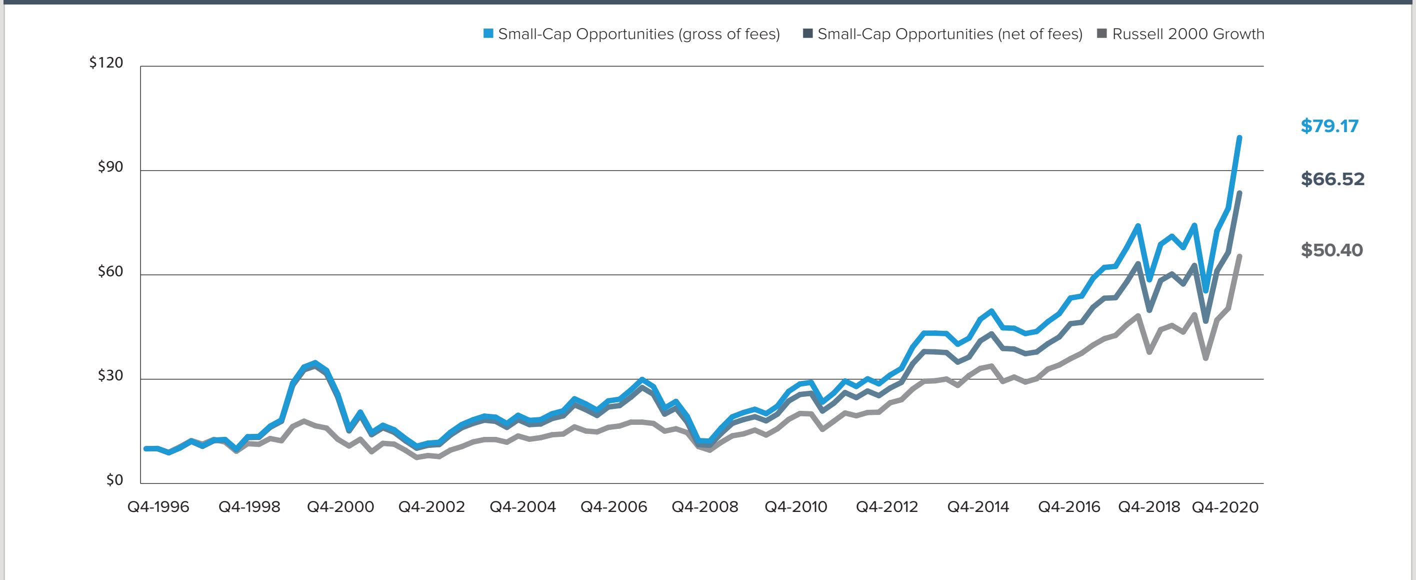
	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (9/15/1996)
Small-Cap Opportunities (gross of fees)	**25.66%**	**34.06%**	**16.99%**	**17.39%**	**14.15%**	**10.02%**
Small-Cap Opportunities (net of fees)	**25.62%**	**33.26%**	**16.18%**	**16.66%**	**13.42%**	**9.23%**
Russell 2000 Growth Index	29.61%	34.63%	16.20%	16.36%	13.48%	8.15%

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 $2.5 million. Performance results, from 1-1-97 to 12-31-03 and from 7-1-08 to present, are derived solely from the performance of the Oberweis Small-Cap Opportunities Fund (formerly known as the Oberweis Mid-Cap 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 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 ***(September 15, 1996– December 31, 2020)***



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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.

MEET THE TEAM