

OBERWEIS GLOBAL OPPORTUNITIES FUND

INSTITUTIONAL CLASS: (OBGIX)

MARKET COMMENTARY

2Q 2022

The Quarter in Review

Global equity markets closed out their worst first half in over fifty years as surging inflation, rate hikes by the U.S. Federal Reserve, and Russia's war in Ukraine stoked recessionary fears. During the second quarter, The Oberweis Global Opportunities Fund returned -19.55% versus -17.09% for the MSCI ACWI Small-Cap Index. Year-to-date, the Fund returned -34.79% versus -22.27% for the Index. Although a challenging six months for the Fund, we expect periodic benchmark dispersion over the short-term given our high active share. Longer term performance remains well ahead of the benchmark, including over trailing 3-year, 5-year and since inception periods.

Market Environment

Concerns over inflation, and more specifically whether central banks can bring the rate of inflation down without causing a recession, continued to impact equity returns in nearly every geographic region. Additionally, energy concerns remain front and center in Europe, with the EU scrambling to find enough natural gas for this winter to offset a reduction in supply from Russia. In China, lockdowns associated with China's zero-COVID policy pressured economic growth and political leadership, particularly in Shanghai. In the US, inflation and interest rate hikes by the Fed have curbed economic growth, although the data remains mixed as to the degree.

While virtually all equity asset classes were down significantly in the first half, the pain was particularly acute for "growth" stocks, which were punished much more than their "value" counterparts. Unexpected increases in interest rates have often been the scourge of growth equities. Growth stocks – by definition – are valued based on the potential for significant earnings growth years into the future. When interest rates rise, the present value of future earnings declines, so, all else equal, they should be worth less (assuming the change was not already anticipated). "Value" stocks also suffer from a lower net present value, but with a smaller share of their cash flows far out into the future, the impact of rising rates tends to be less severe.

The real culprit for growth underperformance in the first half was P/E multiple compression. In uncertain times, investors tend to gravitate toward perceived safety and are marginally less interested in pursuing the potential for higher returns from innovation and earnings growth. Instead, they prefer safe, predictable cash flows, which are typically characteristics of "value" stocks. As a result, the valuation gap between "growth" stocks relative to "value" stocks has compressed. Another way of thinking about it is that the multiple of today's earnings that one must pay to participate in a potentially much larger future earnings stream has markedly declined as risk-aversion has risen.

All of this makes sense, to a point. There are many "unknowns" and we expect that inflation and the potential for recession will continue to drive daily volatility in the near term. It is rational for risk-aversion to be somewhat higher in this environment. But to what degree? Many small growth stocks are already down at least 30-40%, with P/E valuations for some of our funds among the lowest we have ever observed. Our Global Opportunities Fund, for example, has an average P/E today of 13.0x versus 25.1x a year ago. One might argue that valuations today appear very cheap because earnings estimates remain too high. That's plausible, but it is unlikely that actual earnings will be so far short of estimates to justify the P/E multiple contraction already experienced.

AVERAGE ANNUAL TOTAL RETURNS (as of June 30, 2022)

	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 1/7/1987	Gross/Net Expense Ratio*
Oberweis Global Opportunities Fund Institutional Class (OBGIX)**	-19.55%	-34.79%	-34.34%	8.94%	5.84%	9.35%	8.54%	1.13%/1.13%
Oberweis Global Opportunities Fund Investor Class (OBEGX)	-19.59%	-34.88%	-34.51%	8.65%	5.58%	9.08%	8.27%	1.38%/1.38%
MSCI ACWI Small-Cap Index	-17.09%	-22.27%	-21.82%	4.40%	4.68%	8.33%	N/A	

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 gain or loss when shares are sold. Current performance may be higher or lower than quoted. Unusually high returns may not be sustainable. Visit us online at oberweisfunds.com for most recent month end performance.

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.

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.

*Audited data as of December 31, 2021. Oberweis Asset Management, Inc. (OAM), the Fund's investment advisor is contractually obligated through April 30, 2023 to reduce its management fees or reimburse OBEGX to the extent that total ordinary operating expenses, as defined, exceed in any one year the following amounts expressed as a percentage of each Fund's average daily net assets: 1.8% of the first \$50 million; plus 1.6% of average daily net assets in excess of \$50 million and for OBGIX 1.55% of the first \$50 million; plus 1.35% of average daily net assets in excess of \$50 million.

**Institutional Class shares OBGIX performance information was calculated using the historical performance of Investor Class shares for periods prior to May 1, 2017.

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

The MSCI ACWI Small-Cap Index (Net is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of small cap developed markets and emerging markets, with minimum dividends reinvested net of withholding tax. The MSCI ACWI Small-Cap Index began on May 31, 1994.



Market Environment

Perhaps counterintuitively, we are very excited about the current opportunity set and the potential for strong prospective returns. Historically, we tend to thrive coming out of environments like this when expectations and valuations are exceptionally low and risk-aversion is high. Macroeconomic and political turmoil have taken, and may continue to take, their toll on near-term stock prices. However, what matters to investors in the long run is the earnings power of businesses, which is a function of the firm's sales growth, margins, cash flows and the incremental return on capital reinvested in the business. We look for businesses with strong and growing earnings power protected by robust competitive advantages. The ability of those types of firms to create shareholder value is not permanently impaired by economic cycles, though they often trade as if that is the case. Broadly speaking, we believe many of the headline risks with respect to our holdings have already been discounted, and likely over-discounted. As a result, we are finding what we believe to be tremendous values in small-cap stocks around the world. No one can predict the future, but we believe the odds for above-average prospective returns are in our favor when buying amid valuations this cheap.

Fund Highlights

As of June 30, 2022, the Fund was 97.5% invested in 53 different positions. The Fund had its largest over-weightings in technology (32.9% average weighting during the quarter versus 12.3% for the MSCI ACWI Small Cap Index), consumer discretionary (27.0% versus 12.0%), and healthcare (19.6% versus 9.5%). The Fund was most underweight real estate (0.0% versus 9.8%), financials (3.7% versus 13.4%), industrials (10.0% versus 18.2%).

During the second quarter, the Fund was positively impacted by its overweight exposure to China while it was negatively impacted by stock selection in the UK (where our holdings returned -18.99% versus -5.75% for the MSCI ACWI Small Cap Index). At a sector level, the Fund was positively impacted from stock selection in healthcare (-4.52% versus -17.34%) while it was negatively impacted by stock selection in technology (-29.78% versus -21.42%). In terms of geographic distribution, the Fund was on average 50.5% invested in North America, 22.3% in Asia, and 21.8% in Europe.

Organization Update

Patrick B. Joyce, our Chief Financial Officer and Chief Compliance Officer, has announced his retirement effective December 31, 2022. Pat has been an invaluable leader and mentor to many in this organization throughout his 28 years of loyal and distinguished service. He will be greatly missed, although we know Pat is excitedly looking forward to spending more time with his three young grandchildren. We wish him all the best.

With Pat's guidance and input, we have been planning for his eventual retirement for some time and have been grooming his internal successors. Beginning next year, Pat's role will be split in two. Eric Hannemann will be promoted to Chief Financial Officer. Eric joined OAM in 2004 and is currently Vice President of Accounting, reporting to Pat. Eric earned an MBA from the University of Chicago and a BA from Michigan State University. Tom Joyce will be promoted to Chief Compliance Officer. Tom joined OAM in 2010 and is currently Vice President of Compliance, reporting to Pat. Tom earned a BS from Northern Illinois University. We are confident that both Eric and Tom have the experience and education to seamlessly assume these responsibilities at OAM.

Oberweis Asset Management's Investment Philosophy

We believe that investing in smaller companies driving revenue and earnings growth in excess of expectations results in superior investment performance over long periods of time. We believe that innovation is the key to economic growth and wealth creation and are committed to investing in companies at the forefront of innovation – smaller company stocks that offer the potential for extraordinary revenue and earnings growth.

The entrepreneurial spirit is alive and well at these companies. Many are nimble and uniquely address the needs of their customers with patented new products and services. Successful investing, however, demands more than finding companies with good growth prospects. We must also buy these stocks for our clients at prices that make sense. By paying careful attention to companies' valuations in relation to expected earnings growth rates, we seek to purchase stocks when they still have considerable appreciation potential.

For more information please contact:

Brett Pierson, Director, Head of National Key Accounts & Advisor Sales
(800) 323-6166 | (630) 577-2354 | brett.pierson@oberweis.net

Tom LaBelle, Associate Director, National Key Accounts & Advisor Sales
(800) 323-6166 | (630) 577-2367 | thomas.labelle@oberweis.net

Oberweis Asset Management, Inc.
3333 Warrenville Rd., Suite 500, Lisle, IL 60532