Oberweis
Asset Management

OBERWEIS FOCUSED INTERNATIONAL GROWTH FUND (OFIGX) MARKET COMMENTARY

3Q 2022

The Quarter in Review

Since inception on April 1st, 2022 to September 30th, the Oberweis Focused International Growth Fund has returned -29.10% vs. the benchmark, the MSCI EAFE Index, which returned -27.09%. During the third quarter, the Fund returned -9.45% vs. the benchmark which returned -9.36%.

As with recent quarters, macro uncertainties have weighed on global markets and exerted an outsized influence on the returns of individual stocks. This uncertainty about the economic world order has been considerable, as conveyed by the US Treasury bond market's implied volatility, which has been at its highest levels since the financial crisis. The overarching issue in capital markets continues to be inflation. It remains unclear how far the Fed will have to go to reduce inflation to their 2% target, and whether a much higher unemployment rate is the only way to achieve their objectives. On the one hand, demand driven cost pressures have not eased with the ongoing tightness in the labor market and its concomitant wage inflation proving to be stubborn. On the other hand, supply driven cost pressures appear to be receding, with both the global freight index and prices paid by manufacturers rapidly declining over the quarter.

Inflation expectations for the next ten years, as derived from capital markets and surveys, are now at their highest levels since the financial crisis. The Fed has responded, with the fastest hiking cycle since Paul Volker's era and, as a multiple of the starting rate, by far and away the sharpest. Mirroring the raised expectations for longer-term inflation, at the time of writing, the ten-year US Treasury yield sits close to 4%, up from 2.97% at the end of the second quarter.

With respect to bottom-up fundamentals and corporate earnings, during the quarter the majority of our companies beat consensus expectations. Generally, equities have lived up to their reputation as an inflation pass-through with revenues still growing faster than wages. In aggregate, corporate profitability remained intact and supply chain cost pressures have been easing.

Outlook

Macro concerns are likely to continue to dictate the investment climate in the fourth quarter as the market struggles to discern what the economic environment will look like post-pandemic. In particular the critical question is whether central banks can bring down wage growth with a reduction in the number of job openings and only a small rise in the unemployment rate. Thus far, monetary tightening has not had an appreciable impact on the labor market in the US. Claims data does not suggest slack is emerging yet, nor does the survey of small business hiring intentions. The labor market tightness is in large part due to demographics, specifically the retirement of the baby boomers. The labor force participation of the over-65's decreased abruptly during Covid, having trended higher for the prior two decades, and this appears to be a structural inflection point which is unlikely to reverse.

AVERAGE ANNUAL TOTAL RETURNS ***(as of September 30, 2022)***				
	QTD	**YTD***	**Since Inception***	**Gross/Net Expense Ratio****
Oberweis Focused International Growth Fund (OFIGX)	**-9.45%**	**-29.10%**	**-29.10%**	**1.92%/0.95%**
MSCI EAFE	-9.36%	-27.09%	-22.51%	

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.

**Inception of the Oberweis Focused International Growth Fund is April 1, 2022.*

***The gross expense ratio for OFIGX is based on estimated amounts for the current fi scal year. Oberweis Asset Management, Inc. (OAM), the Fund's investment advisor is contractually obligated through April 30, 2023 to reduce its management fees or reimburse OFIGX to the extent that total ordinary operating expenses exceed in any one year 0.95% expressed as a percentage of Fund's average daily net assets.*

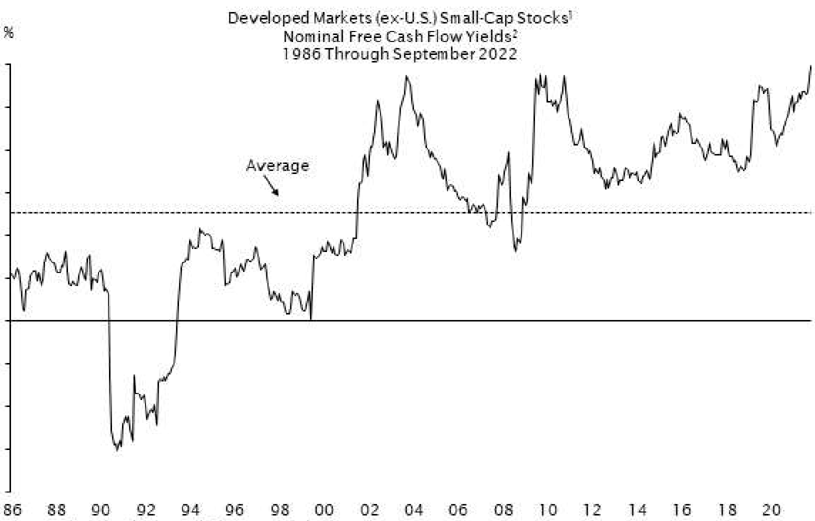
The MSCI EAFE Index is an equity index that captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada. The index is comprehensive, covering approximately 85% of the free-float-adjusted market capitalization in each country.

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

Outlook (continued)

Housing activity has slowed as a result of monetary tightening. Homeowners who have refinanced their mortgages at lower rates are disincentivized to trade while affordability for new buyers has collapsed. Inventories are consequently increasing, albeit they are still tight. The run-up in prices over the last twelve months should decelerate and to some degree even reverse. Weaker housing activity implies less construction of new homes, less spending on home improvements, fewer commissions paid to brokers, less liquidity from remortgaging. Such factors are likely to soften aggregate demand. However, it is possible that the consumer's sensitivity to higher rates is relatively low compared to prior cycles given both the decline in variable rate borrowing and the wealthy baby boomer generation's significant weighting in the population. Furthermore, pent up savings are still large in the US as well as in the key developed economies. Those over 55 now control almost two thirds of all the assets of the household sector in the US, 10% more than they did in 2000. This demographic also accounts for the majority of deposit accounts that will benefit, eventually, from higher short-term rates. The over-55 cohort accounts for 46% of consumer income and 41% of spending, considerably more than those under the age of 40, so their lesser rate sensitivity may blunt the impact of higher rates on consumer demand. On the one hand, this suggests that the consumer is not fragile and this lack of fragility makes a soft landing more likely. On the other hand, it also implies that rates may need to move higher still to bring inflation under control from its current high level. Cost of capital would be higher, bond yields would increase relative to equity free cash flow yields and, finally, it is likely that the dollar would remain strong as capital flows to the US away from the rest of the world.

Free cash flow yields for our addressable universe of stocks are near historically high levels. In the short-term it is possible they can move higher still, but in the past this has always proven to be a highly attractive investment entry point for astute long-term investors.



Source: Empirical Research Partners Analysis.
[1] Small-Cap stocks included in MSCI World (ex-U.S.) Index
[2] Capitalization-weighted data.

Valuation spreads, an indicator of intra-market disparities, sit at above-average historical levels (and are widest in Europe, unsurprisingly given the war in Ukraine) but in our judgement not to a degree that compels big sector bets. This argues for a relatively balanced portfolio, which is how the strategy is positioned. Our primary focus continues to be to own strong companies with sound underlying fundamentals, balance sheets and cash flows. In that regard, our portfolio companies had in aggregate an excellent set of earnings reports with strong underlying fundamentals. We are confident that whether the market goes up or down from here in the short-term, on a relative basis, the underlying fundamentals of our portfolio companies will continue to do well.

Lastly, we know from experience that while in the short-term top-down macro concerns can subsume everything else, over time share prices reflect bottom-up fundamentals. This is why, despite all the frequent macro scares throughout the history of the strategy, in the end, cumulatively it vastly outperforms its benchmark.

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Fund Highlights

At quarter-end, the Fund was invested in 28 stocks in 10 countries. Our top five country weightings (Fund weighting versus the MSCI EAFE Index) at the end of the quarter were France (22.6% vs. 11.3%), the United Kingdom (18.2% vs. 15.5%), Japan (11.8% vs. 22.6%), Netherlands (10.5% vs. 4.1%) and USA (9.0% vs. 0.0%). On a sector basis, the Fund was overweight information technology (26.3% vs. 7.9%) and underweight financials (9.7% vs. 17.6%).

Organization Update

We are pleased to announce that we added a new member with a very strong background in international investing to the team. Steve Foundos joined us in September as a Senior Analyst. Prior to OAM, Steve worked at Artisan Partners Asset Management for ten years on the global equity team for the Artisan International and the Artisan Global Equity funds. Steve was a research analyst focusing on a range of areas including traditional financials such as banks and exchanges, as well as payments/fintech and data/business services. Prior to Artisan, Steve worked for five years in equity research at Citigroup. His international experience further includes volunteering for two years in business education and development for the United States Peace Corps in Uzbekistan. He is a holder of the Chartered Financial Analyst (CFA) designation. Steve received his MBA from Columbia Business School, a Masters of International Affairs from the Columbia School of International & Public Affairs, and a BSBA, magna cum laude, from Georgetown University.

Oberweis Asset Management Investment Philosophy

We believe that investing in innovative companies driving revenue and earnings growth in excess of expectations results in superior investment performance over long periods of time. The entrepreneurial spirit is alive and well at these companies. Many 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. It also requires the patience and fortitude of a long-term investor and to hold structural winners through the short-term jitters of the stock market.

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