Oberweis Asset Management

OBERWEIS GLOBAL OPPORTUNITIES FUND INSTITUTIONAL CLASS: (OBGIX) MARKET COMMENTARY

4Q 2022

The Quarter in Review

Global small-caps rebounded in the fourth quarter and our Fund fared well against the index. The Global Opportunities Fund returned 13.28% versus 10.45% for the MSCI ACWI Small-Cap Index. Still, it was not enough to recoup underperformance earlier this year. For the year, the Fund returned -26.61% versus -18.67% for the Index. Despite year-to-year fluctuations, we are pleased to report that the Fund has materially outperformed its benchmark over trailing 3-year, 5-year and 10-year periods.

Market Environment

2022 was an unusually rough year for investors. The Fed's fight against inflation and Russia's war in Ukraine were mostly to blame. Both stocks and bonds felt the scourge of rising interest rates. The US Fed, in an attempt to fight inflation, increased its target rate for Fed Funds by 400 bps from March to December, going from a target range of 0.25-0.5% to 4.25-4.50%. Except for China, major central banks around the world followed suit. The magnitude of this year's increase in rates materially exceeded investor expectations.

Unanticipated large increases in interest rates are a double whammy for growth stock investors. Higher interest rates tend to slow economic growth and depress future earnings. Additionally, they also tend to compress valuation multiples for growth stocks, as a higher discount factor reduces the present value of future earnings. When viewed in that light, it's not terribly surprising to see a sharp decline in stock prices, particularly for growth stocks.

The Fed's quest to quell inflation was complicated by supply-side disruptions and an incredibly tight labor market. The war in Ukraine and China's COVID-related production problems increased commodity prices and pressured global supply chains, which fueled price increases and exacerbated inflation. Further, a labor shortage put upward pressure on wages, further complicating the Fed's anti-inflation campaign.

In terms of economic growth, the US economy fared better than Europe. Europe suffered through a period of sky-high natural gas prices, largely from its dependence on Russian supply. Non-US small caps lagged their US counterparts for the second year in a row. Japanese equities fared relatively well in local currency terms, but not in USD terms, which include the effect of the Yen's decline versus the US dollar.

China was the most challenging geography. Between President Xi Jinping's "Covid zero" and "shared prosperity" policies, the investment climate could only be described as decidedly unfriendly and highly unpredictable. This occurred amid a strengthening US dollar and weakening Chinese property market, typically not great signs for Chinese asset prices. Chinese markets crashed into the October National Congress of the Communist Party, when Xi doubled down on the same adverse policy rhetoric.

AVERAGE ANNUAL TOTAL RETURNS ***(as of December 31, 2022)***

	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 1/7/1987	Gross/Net Expense Ratio*
Oberweis Global Opportunities Fund Institutional Class (OBGIX)**	**13.28%**	**-26.61%**	**11.53%**	**5.43%**	**10.53%**	**8.78%**	**1.28%/1.27%**
Oberweis Global OpportunitiesFund Investor Class (OBEGX)	**13.20%**	**-26.80%**	**11.25%**	**5.16%**	**10.26%**	**8.51%**	**1.52%/1.51%**
MSCI ACWI Small-Cap Index	10.45%	-18.67%	3.18%	3.23%	7.69%	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, 2022. 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 (continued)

However, in recent months and into 2023, Chinese equities have rallied strongly. After his successful consolidation of power, Xi dramatically changed policy direction, essentially abandoning "Covid Zero" entirely. While a massive wave of Covid promptly ensued, cases in urban areas may already have peaked and we expect a return to more open times soon. Xi also showed signs of softening his stance on property market regulation and anti-monopoly investigations against Internet firms. This drove a 30% rally in China over the two months that followed the National Congress, but it was not enough to recover from the heavy losses earlier in the year.

The Year Ahead

A reader of the first page of this seemingly dreary commentary might conclude our outlook to be bearish. It is, in reality, quite the opposite. We believe that at current prices, the return potential for our funds is significantly above-average, particularly relative to the risks. Our research shows that valuations for global small-caps rival the incredible bargains last seen in the depths of the global financial crisis. That might seem surprising, as stock prices have not declined as much as they did in 2008-2009. However, price/earnings ratios for small-caps were not as expensive at the beginning of 2021 as they were in 2007 and earnings have not similarly declined.

Of course, earnings for our portfolios could be curtailed in 2023, but we don't see that as the most likely outcome. First, while we expect recession as a base case in 2023, we believe a modest GDP contraction is unlikely to lead to an unhealthy level of unemployment. That is, with less leverage on both corporate and individual balance sheets and a tight labor market, we believe that the coming economic slowdown is likely to be less severe than that of 2008.

Second, and more importantly, our funds are less correlated to the broader economy than you might think. We tend to own "disruptive" niche-oriented companies growing much faster than the broader economy. Long-term growth for these companies tends to be much more correlated with product acceptance and market share gains than oscillations in GDP. While broad economic growth or contraction will influence many holdings to some degree, the real driver, especially over the long-term, tends to be company-specific product growth.

That said, during periods of rising risk-aversion, investors seek current cash flow versus the potential for future earnings growth. That's why multiples compressed last year. But that has already happened, and buyers today are paying much lower multiples than historical averages. Multiple compression could continue in 2023 but multiples for small-cap growth stocks have already dropped to among the cheapest levels of the past two decades. It could get worse, but we doubt any further contraction will be persistent or material.

At some point, the recession will pass and valuation multiples are likely to revert back to more normal levels. We cannot predict when this will occur, but post-recessionary multiple expansion (which typically happens well before the economy reaches the end of a recession) have been the single best periods for the performance of our funds. Don't miss it.

Fund Highlights

As of December 31, 2022, the Fund was 100.0% invested in 51 different positions. The Fund had its largest over-weightings in technology (41.3% average weighting during the quarter versus 11.7% for the MSCI ACWI Small Cap Index), healthcare (16.8% versus 10.4%), and consumer discretionary (17.8% versus 12.3%). The Fund was most underweight financials (2.7% versus 14.2%), real estate (0.0% versus 8.6%), and materials (2.2% versus 8.2%).

During the fourth quarter, the Fund was negatively impacted by stock selection in Switzerland while it was positively impacted by stock selection in the US (where our holdings returned 13.53% versus 7.98% for the MSCI ACWI Small Cap Index) and Taiwan (30.59% versus 8.03%). At a sector level, the Fund was positively impacted by stock selection in technology (15.31% versus 8.51%) and consumer discretionary (24.74% versus 12.13%) while it was negatively impacted by stock selection in materials (-13.75% versus 13.79%). In terms of geographic distribution, the Fund was on average 60.6% invested in North America, 19.4% in Europe, and 17.7% in Asia.

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Organization Update

We are pleased to announce that Eric Hannemann, our new chief financial officer, and Tom Joyce, our new chief compliance officer, have been named Partners of Oberweis Asset Management, Inc. As we disclosed previously, Eric and Tom have assumed the responsibilities of our former colleague Pat Joyce, who retired on December 31, 2022.

Oberweis Asset Management's Investment Phillosophy

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.

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