

## The Quarter in Review

The Global Opportunities strategy had an excellent first quarter, returning 8.14% (7.93% net of fees) versus 4.24% for the MSCI ACWI Small-Cap Index, for an excess return of 390 basis points (369 basis points net of fees). Over the last five years, the strategy has generated an average annual return of 9.15% (8.25% net of fees) compared to 4.19% for the benchmark. Since its inception in 2015, the strategy has returned 10.24% (9.37% net of fees) annually on average compared to 6.42% for the benchmark.

## Market Environment

Global equity markets moved higher for the second consecutive quarter, even in the face of persistent (although lessening) inflation data and banking crises in both Europe and the United States. Policymakers' basic problem has not changed: how to raise interest rates enough to quell inflation without overshooting and causing a significant recession. While this question remains unsolved, investor expectations have changed markedly. In contrast to last year's market slump, this quarter's rally in the face of a slowing global economy indicates that investors have already discounted some degree of recession. This is particularly the case for small-cap stocks. Following a decade-long period of large-cap leadership, our research indicates that high-growth small-caps now trade at PE ratios last seen after the 2008 financial crisis (which are far below historical norms). The S&P 500's valuation has also declined, but is still hovering around its 20-year average level. While the S&P 500 Index is up nearly 18% from its low, small-cap stocks remain in bear territory. The Russell 2000 Index has been stuck in a sideways range since last June and is still down nearly 27% from its peak in November 2021. To be fair, the S&P 500's rally was bolstered by tech mega-caps like Apple, Microsoft, Alphabet, Amazon, and NVIDIA, which now comprise a whopping 21% of the index. Without these five stocks, returns of the index were much more muted and also appear to already be discounting a difficult economy in 2023.

This dynamic reminds us a bit of the "Nifty Fifty" of the 1970s, when a group of industry-leading but expensive technology companies at the time traded for "can't lose" valuations after a period of prolonged outperformance, while most other segments of the market were largely ignored. Similarly, that decade was characterized by high inflation and challenging economic growth. The 1973-74 recession pushed small-cap valuations to record lows, which helped propel the unprecedented outperformance for small-caps compared to large-caps in the second half of the 1970s, as valuations reverted to more normal levels.

While very low valuations contributed to their outperformance, we also believe that the niche nature of many small-cap businesses allowed them to better navigate the scourge of inflation relative to larger businesses. For smaller companies with a disruptive technology, success tends to be driven more by market share gains or new market creation than by incremental growth of existing customers. Disruptive companies tend to be less dependent on GDP growth and more dependent on specific product acceptance. Still, because small-cap growth stocks are higher risk and are expected to generate earnings years into the future, they often experience valuation compression in times of rising uncertainty, slowing economic growth, or rising interest rates. That is precisely what occurred in 2022, which is reflected in today's prices. Will we see more? It's possible, though valuations for our universe are already close to record lows of the past 20 years. We believe the opposite is more likely, and we anticipate that valuations will eventually mean-revert. Sometime in 2023 or early 2024, we expect that investors will begin discounting the end of the rising interest rate cycle and a return to economic growth, which is the ideal environment for our investment holdings.

### AVERAGE ANNUAL TOTAL RETURNS (as of March 31, 2023)

	QTD	1 Yr	3 Yr	5 Yr	Since Inception 1/1/2015
<b>Global Opportunities (gross of fees)</b>	<b>8.14%</b>	<b>-0.70%</b>	<b>23.80%</b>	<b>9.15%</b>	<b>10.24%</b>
<b>Global Opportunities (net of fees)</b>	<b>7.87%</b>	<b>-1.70%</b>	<b>22.58%</b>	<b>8.06%</b>	<b>9.25%</b>
MSCI ACWI Small-Cap Index	4.24%	-9.57%	17.93%	4.19%	6.42%

**Past performance is not necessarily indicative of future results. Performance is historical and includes the reinvestment of dividends and other income. Unusually high returns may not be sustainable. The strategy invests 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. Net-of-fee composite returns are calculated using the highest model investment advisory fees applicable to portfolios within the composite. Advisory fees are disclosed in Part II of Form ADV.**

*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 1-1-15 to present, are derived solely from the performance of the Oberweis Global 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 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)

Over and over and over again, we have found that the single best time to invest in our strategies has been the pivot point when investors first see the forthcoming end of a recession and return to growth. It tends to happen well before economic data actually shows a recession subsiding. In those periods, our stocks tend to experience both above-average earnings growth and a PE multiple expansion, which is a powerful combination. We obviously cannot predict the exact timing of such events, but we believe that today's investment environment potentially sets the stage for small-cap returns well ahead of the broader market over the next five years.

## Portfolio Highlights

As of March 31, 2023, the portfolio was 99.1% invested in 54 different positions. The portfolio had its largest over-weightings in technology (40.2% average weighting during the quarter versus 12.0% for the MSCI ACWI Small Cap Index), healthcare (15.9% versus 10.3%), and consumer discretionary (13.8% versus 12.7%). The portfolio was most underweight financials (3.0% versus 13.6%), real estate (0.0% versus 8.5%), and materials (1.8% versus 8.4%).

Geographically, the strategy maintains a diversified portfolio, with about half of the portfolio invested in the U.S. and the other half in non-U.S. companies. Emerging markets comprised approximately 7% of the portfolio. Note that our strategy is primarily driven by individual stock selection within our risk management protocols and quarter-to-quarter fluctuations in country weights are typically a residual of where we are finding the most interesting individual companies. In terms of geographic distribution, the portfolio was on average 57.9% invested in North America, 18.0% in Europe, and 10.8% in Asia.

During the first quarter, the portfolio was positively impacted by strong stock selection, especially in the US (where our holdings returned 6.70% versus 3.85% for the MSCI ACWI Small Cap Index), China (16.37% versus -4.10%), and Germany (15.99% versus 12.32%). To a lesser degree, the portfolio was adversely impacted by stock selection in South Korea (-11.75% versus 16.32%) and Norway (-15.46% versus -0.01%). At a sector level, the substantial benefit provided to portfolio performance by the overweight technology allocation was partially offset by stock selection in that sector (13.41% versus 14.30%). The portfolio benefited both from its underweighting of and its stock selection in financials (7.07% versus -5.37%). It also benefited from stock selection in industrials (12.44% versus 8.32%). Conversely, stock selection in health care (-6.64% versus 0.24%) detracted from performance.

## Organization Update

There were no changes to the team this quarter.

## 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.

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