

OBERWEIS GLOBAL OPPORTUNITIES FUND

INSTITUTIONAL CLASS: (OBGIX)

MARKET COMMENTARY

3Q 2023

The Quarter in Review

Equity shares broadly declined in the third quarter and small-caps were particularly affected, both in the U.S. and internationally. The Global Opportunities Fund returned -8.86% versus -3.41% for the MSCI ACWI Small-Cap Index. On a year-to-date basis, the Fund returned -1.25% versus 4.34% for the Index. While a difficult quarter for the Fund, the Fund has still fared well over longer periods. Over the last five years, for example, the Global Opportunities Fund returned an average annualized return of 5.51% versus 3.53% for the benchmark.

Market Environment

A selloff in global bonds was the primary culprit of the quarter's slide in equity prices. Since stock valuations theoretically represent the present value of future cash flows, a sharp decline in bond prices means higher interest rates, lower present values of future earnings, and lower stock prices. This often disproportionately impacts small-cap growth stocks, where cash flows are more heavily skewed toward future earnings and thus are more sensitive to changes in interest rates. Furthermore, increasing interest rates also tends to put the brakes on corporate earnings growth.

Rising energy prices have added complexity to the economic picture. Brent crude increased 28% during the quarter, driven by the announcement that Saudi Arabia and Russia will extend voluntary output cuts through the end of the year. Higher energy prices tend to dampen consumer spending. The jump in energy prices also compounds the difficulty of central banks in terms of managing inflation while preventing recession.

Despite these headwinds, U.S. economic growth was robust in the third quarter, with real GDP growth likely coming in around +5%. In the Eurozone, higher interest rates have more significantly impacted economic activity, although earnings have remained reasonably resilient. Our research shows that among developed international markets, Europe has been the best region for positive earnings revisions over the past year, perhaps reflecting that slower growth was already expected. Not surprisingly, this is a good combination in terms of future opportunities for our strategy: low expectations, low valuations, and positive upward earnings revisions. It is much easier to find companies with the potential to beat expectations when they're below-average to begin with, and this is absolutely the case for Europe right now in our view. In Japan, a series of corporate reforms announced at the beginning of the year by the Tokyo Stock Exchange have driven listed companies to improve capital efficiency. It appears to be working, and Japanese equities were the top performing developed market globally in the third quarter.

Emerging market small-caps outperformed the Russell 2000, S&P 500, and MSCI All-Country World Index for the quarter. This occurred despite rising interest rates and a strong U.S. dollar, which have typically squeezed EM equities in the past. EM small-caps trade at a larger-than-normal valuation discount to their larger brethren and to other geographies, which suggests the market may be underappreciating structural changes in the developing world that make their economies relatively more resilient than they were in the past. In China, policymakers announced significant new pro-growth economic stimulus policies, which have been rare in recent years.

AVERAGE ANNUAL TOTAL RETURNS (as of September 30, 2023)

	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)**	-8.86%	-1.25%	11.86%	4.64%	5.51%	6.68%	8.55%	1.28%/1.27%
Oberweis Global Opportunities Fund Investor Class (OBEGX)	-8.92%	-1.43%	11.58%	4.38%	5.25%	6.41%	8.28%	1.52%/1.51%
MSCI ACWI Small-Cap Index	-3.41%	4.34%	15.24%	6.81%	3.53%	6.16%	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. It is not possible to invest directly in an index.

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Outlook

After a market decline, it is easy to extrapolate the past into dismal future expectations. This is usually a mistake, and we believe this time will be no different. Even among sophisticated institutional investors, there is an emotionally-driven tendency for risk aversion to increase following losing periods, even though that is precisely when valuations tend to be most attractive. Global small-caps today trade at a substantial discount to their historical averages, both in absolute terms and particularly relative to alternatives like U.S. large-caps. We see opportunities like this once a decade at best. For example, the average P/E of the Global Opportunities strategy was 11.8x as of the end of September. The last time it approached such a level was in the depths of the financial crisis in 2008, which turned out to be a spectacular time to be buying the strategy. Recent research by Jefferies noted that the relative valuations of U.S. small-caps compared to large-caps remain at the most attractive level (using multiple valuation metrics) since the late 1990's. Small-caps are wildly unloved, representing less than 4% of the total U.S. equity market capitalization, the lowest reading since the 1930's. These types of valuation discrepancies can last longer than one might reasonably expect, but when they do mean revert, the "burst" of gains can occur strongly and rapidly. With muted expectations and exceptionally attractive valuations, we believe that the odds of achieving above-average returns over the next five years, particularly relative to U.S. large-caps, are high.

Fund Highlights

As of September 30, 2023, the Fund was 94.5% invested in 46 different positions. The Fund had its largest over-weightings in Technology (29.8% average weighting during the quarter versus 12.1% for the MSCI ACWI Small Cap Index), Health Care (16.8% versus 10.1%), and Industrials (22.6% versus 19.5%). The Fund was most underweight Financials (1.7% versus 13.6%), Real Estate (0.0% versus 8.0%), and Materials (1.3% versus 8.2%).

During the third quarter, the Fund was negatively impacted by stock selection in the US (where our holdings returned -11.10% versus -4.87% for the MSCI ACWI Small Cap Index) while it was positively impacted by stock selection in China (50.45% versus -7.95%) and the U.K. (-1.12% versus -3.00%). At a sector level, the Fund was positively impacted by stock selection in Industrials (-1.46% versus -3.90%) while it was negatively impacted by stock selection in Technology (-17.70% versus -4.77%). In terms of geographic distribution, the Fund was on average 58.7% invested in North America, 20.8% in Europe, and 10.0% in Asia.

Organization Update

We are pleased to announce that Jack Roberts has joined the team as an Associate Analyst covering U.S. equities. He will assist our team with research responsibilities while learning the intricacies of our investment philosophy and process, with the eventual goal of assuming research coverage. Jack has worked at Oberweis since August 2021 in other areas of the business. Jack earned a BA in Economics and History from the University of Illinois. He is a Level II CFA Candidate.

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