

## The Quarter in Review

The Global Opportunities strategy returned 8.24% (7.97% net of fees) versus 11.98% for the MSCI ACWI Small-Cap Index. For the year, the strategy returned 7.91% (6.84% net of fees) versus 16.84% for the Index. Although the strategy underperformed in 2023, it has materially outperformed over the trailing 5-year and 7-year periods, as well as since the strategy's inception in 2015.

## Market Environment

The macro environment last year posed challenges for our investment style. First, our strategies generally focus on smaller companies with misunderstood growth potential. To find them, most of our funds begin with the universe of firms reporting positive earnings surprises and/or positive earnings revisions. On average, these types of companies tend to outperform the market, but in 2023 small-caps with the largest negative earnings surprises broadly beat those with the largest positive surprises. Additionally, tighter monetary policy, particularly by the U.S. Federal Reserve, was another headwind and rising rates tend to adversely affect valuations of small-cap growth stocks. Further, since the average growth rate of companies in our funds tends to be higher than those of their respective benchmarks, our funds tend to underperform in a rising interest rate environment. Lastly, rising international risks and slower growth abroad relative to the U.S. made investing outside of the U.S. particularly challenging.

Globally, the U.S. economy continues to lead the developed world in terms of economic growth, though valuations of its large-cap stocks are also the highest in the world. Developed markets outside of America face more difficult challenges, but slower growth and geopolitical risks appear to be already factored into less expensive equity valuations. Emerging markets, which one might expect to lag in a year in which rates soared, have outperformed. We attribute this both to greater economic resiliency than in past cycles as well as lower valuations going into 2023. Emerging markets, particularly China, continue to trade at a steep discount to the developed world. A shift in political posture, such as a significant stimulus program in China, has the potential to catalyze emerging market stocks.

## The Year Ahead

We believe that the current environment presents a significantly better-than-average risk/reward opportunity for our small-cap strategies. Small-cap companies are trading for some of the cheapest valuations in recent history, both in the U.S. and in international markets. Also, the valuation gap between U.S. small- and large-cap stocks ranks among the widest in nearly 30 years. This comes after a prolonged multi-year cycle of small-cap underperformance, accentuated by one of the fastest and sharpest cycles of rising interest rates in history. It's easy to forget that longer cycles favoring large- or small-caps have occurred regularly throughout history. Rising interest rate expectations and increasing recession fears have been two of the classic signposts of a cycle favoring large-cap stocks, but that cycle may have already concluded.

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

	QTD	1 Yr	3 Yr	5 Yr	Since Inception 1/1/2015
<b>Global Opportunities (gross of fees)</b>	<b>8.24%</b>	<b>7.91%</b>	<b>-0.47%</b>	<b>14.53%</b>	<b>9.42%</b>
<b>Global Opportunities (net of fees)</b>	<b>7.97%</b>	<b>6.84%</b>	<b>-1.47%</b>	<b>13.40%</b>	<b>8.33%</b>
MSCI ACWI Small-Cap Index	11.98%	16.84%	3.33%	9.85%	7.22%

**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 1-1-2015 until present were 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. It is not possible to invest directly in an index.*

## The Year Ahead

Those with long investment tenure or an affinity for market history will recognize that leadership changes invariably occur when a rising interest rate cycle is expected to conclude, which seems to match the present time. While we cannot pinpoint such a shift to a specific quarter or even a year, the pivot from a rising interest rate environment to a declining one has historically favored small-caps. Generally, after a period of rising interest rates, the market discounts both a higher cost of capital and a likelihood for slower economic conditions. When the cycle comes to an end, the bursts for small-caps can be quite dramatic. In fact, if asked for the ideal conditions to buy our strategies, our answer would be the inflection point of change when the small-caps shift course from depressed valuations, which is typically around the emergence from recession and/or the end of an interest rate cycle. We have not had a recession, and may not have one, but the interest rate cycle has seemingly already shifted. Other variables matter as well, such as investor risk-tolerance, economic growth and global military conflicts. But our experience lends one clear lesson: return potential for small-caps tends to be skewed to the upside when valuations are very low and marginal confidence in the asset class begins to improve. We believe this environment is likely to drive mean reversion of valuation multiples for small-cap stocks over the next few years, though the precise timing is hard to predict.

## Portfolio Highlights

As of December 31, 2023, the portfolio was 94.7% invested in 51 different positions. The portfolio had its largest over-weightings in technology (24.0% average weighting during the quarter versus 11.9% for the MSCI ACWI Small Cap Index), healthcare (16.0% versus 9.6%), and industrials (25.8% versus 19.4%). The portfolio was most underweight financials (1.4% versus 14.2%), real estate (0.0% versus 8.0%), and materials (1.9% versus 8.2%).

During the fourth quarter, the portfolio was positively impacted by stock selection in the UK (where our holdings returned 27.26% versus 13.25% for the MSCI ACWI Small Cap Index), Taiwan (31.66% versus 13.35%), and the Netherlands (53.08% versus 14.18%) while it was negatively impacted by stock selection in the US (6.43% versus 13.87%). At a sector level, the portfolio was positively impacted by stock selection in industrials (18.52% versus 11.48%) and materials (29.37% versus 11.86%) while it was negatively impacted by stock selection in technology (4.31% versus 14.80%). In terms of geographic distribution, the portfolio was on average 57.0% invested in North America, 21.4% in Europe, and 15.0% in Asia.

## Organization Update

There was no change to our Global Opportunities 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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