

## The Quarter in Review

The Global Opportunities strategy outperformed in the first quarter, returning 4.40% (4.14% net of fees) versus 3.91% for the MSCI ACWI Small Cap Index. Over the last five years, the strategy has generated an average annual return of 12.30% (11.19% net of fees) compared to 8.00% for the benchmark.

## Market Environment

Throughout the quarter, investors reacted to new economic data points, seeking clues on the state of global inflation. Expectations tipped incrementally dovish in November and December, with many forecasting cuts to begin mid-2024. However, new data in the first quarter took steam out of that thesis. Against persistent inflation news, hopes of near-term rate cuts diminished and “higher for longer” returned to consensus. The U.S. 10-year treasury yield rose from 3.9% to 4.2% by the end of the first quarter and increased to 4.6% as of mid-April. With greater sensitivity to interest rates, small-caps lagged their larger-cap brethren. Higher US interest rates also drove a strong dollar, which tends to be a headwind for emerging markets.

The good news is that inflation has been stubbornly high because U.S. economic growth has been fairly strong. Corporate earnings remain resilient and signs point toward mounting momentum, but for most large-company stocks, valuations already reflect a lot of good news. Large-cap valuations (especially in tech) are materially above historical averages. On the other hand, small-caps remain more reasonably valued. The gap between large- and small-cap valuations is near a 30-year high. While cycles favoring large- or small-cap stocks can persist for many years, this cycle favoring large-caps has already been longer than average and math does eventually win out. Furthermore, the inflection point of the interest rate cycle has often triggered some of the best performance periods for small-cap growth stocks. It’s hard to tell how long high inflation will hang around, but it seems likely to decline eventually and, as a result of much lower valuations, we believe the odds of small-cap growth stocks outperforming large-caps over the next five years are high.

Outside the United States, economic activity has been less robust. Europe remains soft, but so are investor expectations, implying that even modest outperformance could surprise markets to the upside. In China, economic conditions are perhaps the worst of any major market but are showing signs of marginal improvement from a low base and Chinese stock market valuations are exceptionally low.

Geopolitics remain a wildcard that could affect returns for the balance of the year. From the continuing war in Ukraine to US/China relations to conflict in the Middle East, a lot could still go wrong. On the other hand, many expect it will, so relative calm or even some sort of modest resolution could be a significant catalyst for international markets.

### AVERAGE ANNUAL TOTAL RETURNS (as of March 31, 2024)

	QTD	1 Yr	3 Yr	5 Yr	Since Inception 1/1/2015
<b>Global Opportunities (gross of fees)</b>	<b>4.40%</b>	<b>4.18%</b>	<b>-2.42%</b>	<b>12.30%</b>	<b>9.66%</b>
<b>Global Opportunities (net of fees)</b>	<b>4.14%</b>	<b>3.14%</b>	<b>-3.40%</b>	<b>11.19%</b>	<b>8.57%</b>
MSCI ACWI Small-Cap Index	3.91%	16.46%	1.62%	8.00%	7.46%

**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.*

## Portfolio Highlights

As of March 31, 2024, the portfolio was 98.1% invested in 55 different positions. The portfolio had its largest overweightings in industrials (30.2% average weighting during the quarter versus 19.7% for the MSCI ACWI Small Cap Index), technology (20.4% versus 12.3%), and health care (16.5% versus 12.3%). The portfolio was most underweight financials (1.8% versus 14.4%), real estate (0.0% versus 8.0%), and consumer discretionary (9.0% versus 13.2%).

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 10.2% 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 48.9% invested in North America, 23.6% in Europe, and 22.2% in Asia.

During the first quarter, the portfolio was positively impacted by strong stock selection, especially in Japan (where our holdings returned 38.44% versus 5.17% for the MSCI ACWI Small Cap Index), the UK (11.85% versus 1.25%), and Taiwan (23.17% versus 5.88%). To a lesser degree, the portfolio was adversely impacted by stock selection in the US (-1.15% versus 5.76%) and Israel (-23.52% versus -2.28%). At a sector level, portfolio performance benefitted from stock selection in the industrials sector (22.32% versus 8.22%) as well as being overweight in that sector. Conversely, stock selection in technology (-8.26% versus 3.97%) and health care (-8.43% versus 2.93%) detracted from performance.

## 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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