

OBERWEIS SMALL-CAP OPPORTUNITIES FUND INSTITUTIONAL CLASS (OBSIX) MARKET COMMENTARY

1Q 2024

The Quarter in Review

The Oberweis Small-Cap Opportunities Fund returned 10.17% in the first quarter of 2024 versus 7.58% for the Russell 2000 Growth Index, exceeding the benchmark by 259 basis points.

Macro performance factors were generally favorable for our Fund to start the year. In contrast to the fourth quarter of 2023, the top three ROE quintiles in the Russell 2000 Growth Index (where we are over-exposed at nearly 80% of the Fund) outperformed the lowest two quintiles, and profitable small-cap companies outperformed non-earners. More broadly, large-cap stocks continued their dominance over small-cap stocks, while growth outperformed value.

The economy continues to pleasantly surprise and is now projected to grow 2.8% in the first quarter. The consumer, which accounts for nearly 68% of economic output, is healthy, employed, and still spending. Their debt-service ratio remains well below average and they still sit on roughly \$800 billion of excess savings accumulated during Covid. The federal government's post-Covid stimulus is also bolstering economic growth, and our conversations with companies benefiting suggest this trend should continue well into 2025.

Despite the economic strength, market pundits hoping and praying for rate cuts remained on vigilant "Fed alert" during the quarter, reacting to every wiggle and waggle in economic data and inflation readings. Last quarter, we scoffed at the notion the Fed would cut interest rates in earnest in 2024, noting the six rate cuts projected by Fed Funds futures at year-end seemed "optimistic to us." Sure enough, the U.S. Treasury 10-Year yield bounced back to 4.2%, and the "consensus" view calling for numerous rate cuts appears to be misguided. Looking forward, composite Purchasing Managers' Index readings suggest stable economic activity in the U.S., Japan, and the U.K. While China remains weak, conditions in India and Brazil are robust. All of this, combined with recently rising oil prices, might keep inflation stubbornly above the Fed's 2% target in the short-term, and bolster the "higher-for-longer" rate view.

Speaking of consensus views that may ultimately be incorrect: the sentiment toward small-cap stocks is as pervasively negative as we've observed in our careers. Large caps are red hot and over-loved, with the top 10 stocks in the S&P 500 reaching a record 34% of the index at the end of March. What could go wrong? In recent commentaries we have highlighted that the valuation discount for small-caps versus large-caps is the most attractive since the late 1990's, and small-caps now represent only 4% of total U.S. equity market capitalization, the lowest level in nearly 100 years. The majority of clients and prospects we speak with are broadly underweight small-caps relative to their stated asset allocations, and some have abandoned the asset class altogether. It's been so bad that our marketing team created a "Why Small Cap?" marketing deck (please reach out if you'd like a copy), which marks the first time in my career I can remember having to explain the virtues of small cap investing. From a contrarian standpoint, we reiterate our belief that small-caps will materially outperform large-caps over the next 5 to 10 years and the current environment represents the most compelling small-cap investment opportunity on a relative basis we've ever seen.

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

	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 9/15/96	Gross/Net Expense Ratio*
Oberweis Small-Cap Opportunities Fund Institutional Class (OBSIX)**	10.17%	15.00%	12.09%	18.45%	13.20%	9.23%	1.07%/1.00%
Oberweis Small-Cap Opportunities Fund Investor Class (OBSOX)	10.08%	14.70%	11.82%	18.15%	12.91%	8.96%	1.32%/1.25%
Russell 2000 Growth Index	7.58%	20.35%	-2.68%	7.38%	7.89%	7.03%	

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.

**Expense ratio as of December 31, 2023. Oberweis Asset Management, Inc. (OAM), the Fund's investment advisor is contractually obligated through April 30, 2025 to reduce its management fees or reimburse OBSOX to the extent that total ordinary operating expenses exceed in any one year 1.25% expressed as a percentage of the Fund's average daily net assets and for OBSIX 1.00%.*

***Institutional Class shares OBSIX 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.

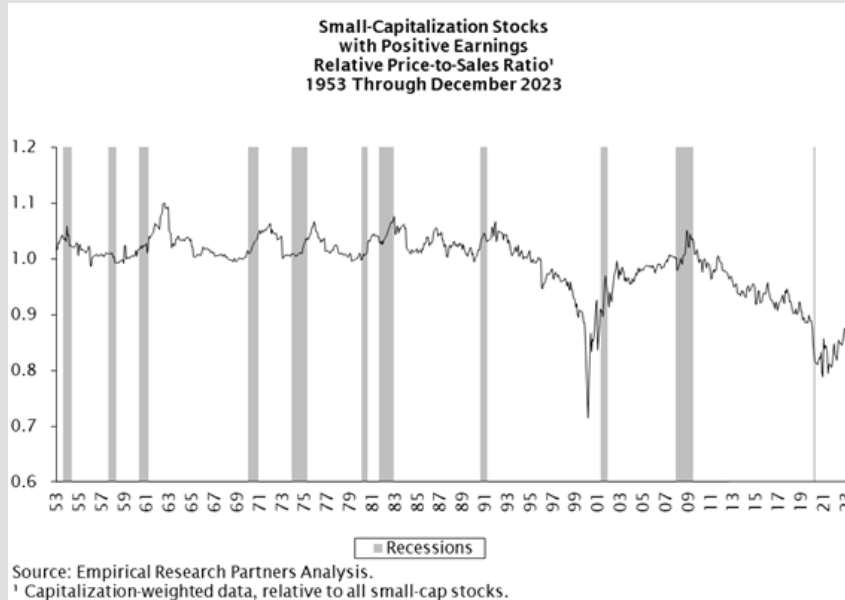
The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted earnings growth rates. The index is an unmanaged group of stocks, whose performance does not reflect the deduction of fees, expenses or taxes. It is not possible to invest directly in an index.

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The Quarter in Review (continued)

Importantly, however, not all small-cap stocks are created equal. Non-earners represent over 40% of the Russell 2000 Index, so there's a lot of "junk" in the space. Interestingly, those non-earners in the small-cap market – buoyed by over a decade of abnormally easy monetary policy – are trading near-record-high valuations. When the discount rate is near zero and money is free, valuations don't matter much and it's more difficult for companies to be valued on their specific fundamentals.



Conversely, small-cap stocks with earnings, as seen in the chart above from Empirical Research Partners, trade near a record valuation discount to the entire small-cap universe. Under our investment philosophy that targets small-cap companies generating a significant positive earnings surprise, our portfolio is consistently overweight companies with earnings and companies with higher returns-on-equity. We believe our typical investments will fare significantly better in a more normalized interest rate environment where there's a cost of capital, and the valuation discount shown above will mean-revert over time and provide a significant tailwind to our Fund going forward. We think the way to fully exploit the dislocation in small-caps is with a focus on quality.

In the short run, we wouldn't be surprised to see increased volatility in the equity market, particularly as the presidential election takes center stage this summer and autumn. The market hates uncertainty, and our view is this election has an above-average potential for disruption. If things get a little rocky, periods of heightened fear usually represent compelling long-term entry points to invest in this Fund. While sentiment and equity prices may oscillate wildly in the short-run in response to the latest headlines – economic or political – our investment approach instead focuses on companies generating better-than-expected earnings power driven by misunderstood fundamental change. The P/E multiple investors are willing to pay for these companies may vary from quarter to quarter, but we believe a diversified portfolio of these investments is likely to yield enhanced returns over the long term.



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Fund Highlights

As of March 31, 2024, the Fund was 97.4% invested in 90 different positions. The Fund had its largest over-weightings in industrials (27.4% average weighting during the quarter versus 20.1% for the Russell 2000 Growth Index) and energy (6.0% versus 4.4%). The Fund was most underweight financial services (3.0% versus 6.2%), health care (19.0% versus 22.1%), and communication services (0.4% versus 2.1%).

Overall performance in the first quarter was positively impacted by strong stock selection, particularly in industrials (where our holdings returned 21.36% versus a 9.19% return for the benchmark's industrials holdings) and consumer discretionary (19.14% versus 6.60%). Our stock selection in technology (4.77% versus 16.38%) detracted from performance during the quarter.

Organization Update

There was no change to the team during the 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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