

OBERWEIS INTERNATIONAL OPPORTUNITIES FUND

INSTITUTIONAL CLASS: (OBIX)

MARKET COMMENTARY

2Q 2024

Review

We are pleased to report good year-to-date performance with the International Opportunities Fund returning +4.94% vs. +0.94% for the benchmark, the MSCI World Ex USA Small Cap Growth Index. During the second quarter, the Fund returned -1.44% vs. -1.30% for the benchmark. Developed equity markets were mixed over the quarter. Global earnings revisions continued to trend positively, traditionally a positive forward signal for equities. We commented in our last quarterly letter that the share of the return dispersion in equities explained by changes in longer-term bond yields had reached a likely unsustainable peak in October 2023. Over the first half of 2024 this dynamic has substantially unwound. In fact, in contrast, now the share of return dispersion explained by dispersion in earnings surprises is near a historical peak. In other words, year-to-date in 2024, earnings have been deterministic to performance while the dominance of the bond market has faded as markets have embraced a disinflation narrative.

Looking at the economic data, towards the end of the quarter, global macro indicators were mixed. Momentum in developed market manufacturing slowed, albeit with forward-looking components still in positive territory. The G10 consumer continues to benefit from generally tight labor markets and household balance sheets have remained strong.

The unemployment rate edged down in the Euro area and Australia, but increased slightly in the U.K., U.S. and Canada. In most developed markets, however, solid job growth, still-strong wage growth and falling headline inflation are supporting real income growth. Core inflation readings in aggregate show inflation slowly receding, indicating that developed market economies generally remain in a stop-start disinflationary environment. With the continuing disinflation in shelter yet to be fully reflected in the official data, the overall inflation trend in the U.S. remains constructive: In the U.S., the May core Personal Consumption Expenditures (PCE) price index rose by +0.08% month-over-month and the year-over-year rate declined to +2.57%. Similarly, core inflation rates declined in Japan and the June inflation data in Germany came in slightly below expectations, balancing out a stable but firmer than expected reading in France. The ECB was sufficiently confident in the inflationary setting to cut rates on June 6.

Despite the slight softening in growth momentum and reasonably benign inflationary setting, longer-term yields across the developed markets are now higher for the year, and indeed accelerated higher in the last few days of the quarter. The likeliest explanation for this ostensibly counter-intuitive move is political developments, with the clear lack of fiscal restraint anywhere in election campaigning across the world raising questions about the current fiscal consensus. At the same time, political developments were a source of surprise after President Macron called snap legislative elections in France following a large victory for far-right parties in the European elections. French equities sold off in response.

AVERAGE ANNUAL TOTAL RETURNS (as of June 30, 2024)

	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 2/1/2007	Gross/Net Expense Ratio*
Oberweis International Opportunities Fund Institutional Class (OBIX)**	-1.44%	4.94%	6.52%	-12.62%	3.62%	4.22%	7.17%	1.10%/1.09%
Oberweis International Opportunities Fund Investor Class (OBIOX)	-1.56%	4.82%	6.19%	-12.85%	3.35%	3.96%	6.90%	1.92%/1.35%
MSCI World ex-US Small-Cap Growth Index	-1.30%	0.94%	5.56%	-6.19%	3.83%	4.36%	4.01%	

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 12/31/23. Oberweis Asset Management, Inc. (OAM), the Fund's investment advisor is contractually obligated through April 30, 2025 to reduce its management fees or reimburse OBIOX to the extent that total ordinary operating expenses exceed in any one year 1.35% expressed as a percentage of the Fund's average daily net assets and for OBIX 1.10%. Effective May 15, 2023, the adviser may recoup the amount of any expenses reimbursed under the contract within three years following the date of the reimbursement if the recoupment does not cause the Fund's expenses to exceed the expense limitation in place at the time of the recoupment, or the expense limitation in effect at the time of the initial reimbursement, whichever is lower.

**Institutional Class shares OBIX performance information was calculated using the historical performance of Investor Class shares for periods prior to December 26, 2023. Investor Class share OBIOX inception date 02/01/07.

The MSCI World ex-US Small-Cap Growth Index (Net) is a free float-adjusted market capitalization weighted index that is designed to measure the performance of small cap growth developed markets excluding the U.S., with minimum dividends reinvested net of withholding tax. It is not possible to invest directly in an index.

Outlook

Equity markets' valuation structures, with differentials around their long-term average, reflect an overall optimistic view of the economic outlook. Global intra-sector spreads are narrow, almost to the point where what stands out is how little stands out. In directional agreement with the consensus macro view, we do not anticipate an impending meaningful deterioration in the economic environment. The macro picture appears to be returning to "normal" on a variety of critical dimensions. Recent PMI data may not have beaten expectations, but neither does it suggest an imminent contraction in manufacturing activity. Consumer confidence indicators are recovering towards their long-term average. Real income growth is ongoing, and employment rates remain resilient. With respect to inflation, the overall trend is encouraging. Wage growth has normalized to a level that is consistent with little to no impact on inflation. The market's assumption of disinflation appears to be correct.

There remains considerable uncertainty about what constitutes "normal" economic conditions, particularly with respect to interest rates. The path of real rates remains a critical variable. With the caveat that no one really knows where we are going, given demographic trends, ever expanding fiscal deficits and hitherto labor market and consumer resilience to tighter financial conditions, it seems likely that the level will gravitate to a point above the average of the 2010s. To what degree is an open question. It is notable that longer-term sovereign yields have moved higher this year despite an apparently more fragile growth outlook and data that seems to confirm that the inflation reacceleration concerns in Q1 were largely misplaced.

Political factors may play an important role. With respect to the U.S., keeping in mind there are still four months until the election (and remembering that a week is a long time in politics), prediction markets now show Donald Trump as the favorite to win in November. The implied probability of a Biden victory is now approximately 30%. If there's going to be a "shock" in the U.S. election process, it is more likely to relate to the Democratic candidacy and thus occur in the relatively near future (before the convention in August). Trump's probable policy positions on issues such as trade and immigration could muddy the inflation outlook for 2025 and beyond. Moreover, the lack of fiscal restraint in election campaigning across geographies around the world raises questions about the current fiscal consensus globally.

Valuations in our stock universe are attractive. The United Kingdom and Germany are both trading at a discount to their 20-year median PEs. Even on a sector-adjusted basis, relative to global peers, the U.K. is valued near its lows of the last two decades, while offering the highest dividend yield of any of the major developed markets. Similarly, valuations in the Eurozone are at historic lows relative to the U.S., despite a better earnings revision ratio and a more dovish central bank.

Fund Highlights

At quarter-end, the Fund was invested in 65 stocks in 15 countries. Our top five country weightings (Fund weighting versus the MSCI World Ex USA Small Cap Growth Index) at the end of the quarter were Japan (22.1% vs. 31.0%), United Kingdom (20.4% vs. 13.1%), Canada (10.2% vs. 9.7%), Norway (7.4% vs. 2.5%), and Sweden (5.7% vs. 6.9%). On a sector basis, the Fund was overweight industrials (38.5% vs. 25.5%) and underweight information technology (5.0% vs. 16.1%).

Organization Update

There are no changes to the International team or strategy.

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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Characteristic Definitions:

P/E (Price/Earnings Ratio): This is a measure of valuation. It relates the price of the stock to the earnings per share (EPS) of the company.