

OBERWEIS GLOBAL OPPORTUNITIES FUND MARKET COMMENTARY

3Q 2024

The Quarter in Review

The Global Opportunities Fund returned 9.04% versus 8.80% for the MSCI ACWI Small Cap Index in the third quarter, outperforming by 24 bps. Over the last five years, the Fund has generated an average annual return of 13.79% compared to 9.40% for the benchmark.

Market Environment

Global equity returns in the third quarter of 2024 were solid overall, despite a sharp uptick in volatility. In early August, the Japanese central bank increased interest rates just as economic data hinted at a weakening U.S. economy. This combo killed the popular so-called “carry trade” – borrowing in low-interest Yen to invest in higher yielding markets like the United States. Traders scrambled to cover and the normally docile Yen surged, appreciating the most versus the U.S. dollar since 2008. Japanese stocks plunged and equities globally declined in sympathy. Richly-valued large technology stocks were hit particularly hard. However, the market rout didn’t last long. By September, the Fed executed the first in a series of anticipated interest rate cuts, the Japanese central bank took a less hawkish tone, and China announced a material stimulus program. These developments ignited a rally into the end of the quarter that more-than-erased the August decline, although the gains were skewed toward “lower-quality” unprofitable companies. The explosive rally in China at the end of the quarter was, by far, most acute among the previously downtrodden, such as property developers.

Outlook

Market returns over the last five years have been shaped by exogenous macro events such as COVID-19, Russia’s invasion of Ukraine and conflict in the Middle East. Even more importantly, changes in interest rate expectations highly correlated with market returns, causing large-caps to outperform their small siblings as interest rates rose. The next five years are likely to be quite different. Despite historical outperformance and underperformance cycles, small-cap returns have clearly exceeded large-caps over the long term. Because of this last cycle of small-cap underperformance, the gap between valuations for small-caps and large-caps is still near a 30-year high. While expectation of mean reversion should alone make for a compelling case for small-caps, the shifting interest rate cycle adds to the case. Declining interest rates – especially when valuations are cheap relative to large-caps – should provide a tailwind for our process. One might argue this is already consensus expectation, but even a neutral influence from the Fed would be healthy for our process, as investors will likely continue 2024’s renewed focus on stock-level fundamentals. Lastly, as small-caps regain leadership, expect it to continue for some time – typically years. Many investors are structurally underweight small-caps, and as small-caps get going, FOMO is likely to keep them going. A simple reversion to historical small-cap allocation levels among institutional investors would be very positive for small-cap returns. While obviously no one knows the future, the current market environment appears finally ripe for a cycle of small-cap leadership. Be patient and wait for it.

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

	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)**	9.04%	15.50%	24.76%	-2.41%	13.79%	9.16%	8.95%	1.25%/1.25%
Oberweis Global Opportunities Fund Investor Class (OBEGX)	9.00%	15.31%	24.47%	-2.65%	13.51%	8.89%	8.68%	1.51%/1.50%
MSCI ACWI Small-Cap Index	8.80%	11.29%	24.62%	2.60%	9.40%	7.81%	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.

*Expense ratio as of 12/31/23. Oberweis Asset Management, Inc., the Fund’s investment advisor, is contractually obligated through April 30, 2025 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.

Fund Highlights

As of September 30, 2024, the Fund was 95.2% invested in 51 different positions. The Fund had its largest over-weightings in health care (21.7% average weighting during the quarter versus 9.7% for the MSCI ACWI Small Cap Index), industrials (27.5% versus 19.7%), and technology (18.2% versus 11.8%). The Fund was most underweight financials (3.6% versus 14.9%), real estate (0.0% versus 8.0%), and materials (1.8% versus 8.0%).

Geographically, the strategy maintains a diversified Fund, with about half of the Fund invested in the U.S. and the other half in non-U.S. companies. Emerging markets comprised approximately 7.9% of the Fund. 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 Fund was on average 57.4% invested in North America, 22.7% in Europe, and 18.8% in Asia.

During the third quarter, the Fund was positively impacted by strong stock selection, especially in the US (where our holdings returned 10.67% versus 8.96% for the MSCI ACWI Small Cap Index), Japan (18.33% versus 12.28%), and Switzerland (32.67% versus 11.65%). To a lesser degree, the Fund was adversely impacted by stock selection in Sweden (-11.54% versus 12.42%) and the U.K. (5.94% versus 12.41%). Our overweight allocation to Norway also detracted from performance. At a sector level, Fund performance benefitted from stock selection in the consumer discretionary (24.38% versus 9.71%), health care (14.38% versus 9.87%), and consumer staples (17.48% versus 9.67%). Conversely, stock selection in energy (-23.66% versus -5.70%) and industrials (4.88% versus 8.26%) as well as our underweight real estate allocation 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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