

OBERWEIS GLOBAL OPPORTUNITIES FUND MARKET COMMENTARY

4Q 2024

The Quarter in Review

The Global Opportunities Fund returned -3.89% versus -3.26% for the MSCI ACWI Small-Cap Index in the fourth quarter. For the year, the Fund returned 11.01% versus 7.66% for the Index. Over the last five years, the Fund has returned an average annual gain of 10.44% versus 6.68% for the benchmark. Further, we are pleased to report outperformance of 115 basis points per year on average over the last 10 years as well.

Market Environment

Equity markets delivered significant gains in 2024. The investment environment turned out to be largely favorable -- the feared recession did not occur, inflation slowed down (at least in the short term), and central banks began cutting interest rates. The spending boom in AI accelerated, causing mega-cap U.S. technology stocks to lead global market returns. Both in the U.S. and abroad, small-cap stocks underperformed large-cap stocks. U.S. equities outperformed those of developed international markets. Our global Fund had a strong year relative to its benchmark, outperforming by 335 basis points for the year.

International small-caps underperformed U.S. small-caps for the seventh year, as evidenced by the 2.76% return on the MSCI World ex-USA Small-Cap Index. Within the United States, small-cap growth stocks underperformed large-cap growth stocks by 1,821 basis points, as measured by the respective returns of the Russell 2000 Growth (15.15%) and Russell 1000 Growth (33.36%) indices. Growth stocks significantly outperformed value stocks globally in 2024, with the MSCI World Growth Index (25.92%) returning 1,445 basis points more than the MSCI World Value Index (11.47%). Similarly, small-cap growth stocks outperformed small-cap value stocks, with the MSCI World Small-Cap Growth Index returning 8.19% versus 4.67% for the MSCI World Small-Cap Value Index. Within domestic small-cap, the Russell 2000 Growth Index (15.15%) outperformed the Russell 2000 Value Index (8.05%) by 710 basis points for the year.

Outlook

With 30 years of equity investment experience under my belt, I have thought a lot about what I can teach my children about investing to help them over the long term. One of the first lessons that comes to mind is that investment cycles can be long and tortuous, but patience, discipline and independent thinking pay off. When I started in the business in 1995, it was the beginning of the Internet boom. By 1999, growth stocks had beaten value stocks by so much that value investing's obituary had already been written, only to be resurrected in the aftermath of the dotcom bust. From 2001 to 2008, value stocks regained the throne. And after that, leadership shifted once again. For much of the last 15 years, especially in the last decade, U.S. large-cap technology stocks have trounced nearly everything else.

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

	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 1/7/1987	Gross/Net Expense Ratio*
Oberweis Global Opportunities Fund Institutional Class (OBGIX)**	-3.89%	11.01%	4.57%	10.44%	8.41%	8.78%	1.23%/1.23%
Oberweis Global Opportunities Fund Investor Class (OBEGX)	-3.98%	10.72%	-4.82%	10.16%	8.14%	8.51%	1.48%/1.48%
MSCI ACWI Small-Cap Index	-3.26%	7.66%	0.76%	6.68%	7.26%	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 12/31/24. 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.

Outlook (continued)

In each of these cycles, at their peak, one could observe obvious and quantitatively measurable gaps between valuations at the time and their historical norms, particularly when compared to those of other asset classes. Still, euphoria and FOMO take over, with very few really paying attention to the risks and opportunities. It's so hard for investors to watch something work for 5, 10 or even 15 years and simultaneously recognize that the pattern will invariably change. But ironically, the risks of NOT shifting sharply increase as the assumptions of the cycle's perpetuation become engrained. Market returns are not randomly distributed. As valuations increase to their outermost historical bounds, the risk of future underperformance increases, especially when measured over longer future periods like the next decade. Still, we are slaves to near-term pattern recognition and cognitive biases, and many investors will stick with whatever has worked well most recently, despite quantitative evidence that highlights the risk.

In each cycle, there is usually a rational explanation behind the leaders. Most recently, one might convincingly argue that advances in artificial intelligence will improve productivity, expand margins and justify higher-than-average valuations over time, similar to the story we heard prior to the dotcom bust. The U.S. is the global leader in A.I. and also boasts an efficient capital allocation system that works well during periods of explosive innovation. This is all true. But at SOME price, the investment thesis still fails. At some price, U.S. small-cap stocks and European stocks are better investments than U.S. mega-caps, even if those companies are better managed, more profitable, and faster growing. At some price, small-cap stocks will be extremely likely to outperform their larger counterparts, no matter how great the "Magnificent Seven" actually execute. Nobody knows what that price is, but historically, it is often dangerous to chase an asset class after a decade of leadership, especially when the valuation gap between the leading asset class and alternatives approaches historical highs. We believe that is indeed the case today, both for small-cap stocks and left-for-dead international equities, which trade for markedly lower valuations than U.S. mega-caps. The lesson I would give to my kids is this: Don't chase the crowd. Rebalance annually to a consistent asset allocation or perhaps even be a contrarian when valuation disparities approach extremes, as they are today.

Fund Highlights

As of December 31, 2024, the Fund was 96.9% invested in 50 different positions. The Fund had its largest over-weightings in health care (21.1% average weighting during the quarter versus 9.5% for the MSCI ACWI Small Cap Index), industrials (27.6% versus 19.8%), and technology (17.8% versus 12.0%). The portfolio was most underweight financials (5.2% versus 15.4%), real estate (0.0% versus 7.8%), and materials (1.7% versus 7.9%).

During the fourth quarter, the Fund was positively impacted by stock selection in the UK (where our holdings returned -3.90% versus -9.47% for the MSCI ACWI Small Cap Index), Norway (6.07% versus -9.25%), and Switzerland (-0.85% versus -13.57%) while it was negatively impacted by stock selection in the US (-3.53% versus 0.84%). At a sector level, the Fund was positively impacted by stock selection in technology (13.01% versus 3.37%) and materials (6.48% versus -10.70%) as well as its under allocation to real estate. It was negatively impacted by stock selection in health care (-12.95% versus -6.69%).

Geographically, the Fund maintains a diversified portfolio, with about half of the Fund invested in the U.S. and the other half in non-U.S. companies. Emerging markets comprised approximately 5.4% of the Fund. Note that our Fund 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 58.2% invested in North America, 23.2% in Europe, and 13.3% 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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