

OBERWEIS SMALL-CAP OPPORTUNITIES FUND MARKET COMMENTARY

3Q 2025

The Quarter in Review

The Oberweis Small-Cap Opportunities Fund returned 8.12% compared to 12.19% for the Russell 2000 Growth Index during the quarter, a shortfall of 407 basis points. Year-to-date, the Fund gained 10.56% versus 11.65% for the benchmark.

“The pendulum of the mind alternates between sense and nonsense, not between right and wrong.” – Carl Jung

We’ve seen plenty of nonsense and very little sense in the U.S. equity market this year. In five short months, the pendulum has swung from extreme fear during the “tariff tantrum” to animal-spirit greed. Absent the global financial crisis, this has been one of the wildest years we’ve experienced.

Since the panic low in early April, small caps have finally outperformed large caps, but the small cap rally has been led by the lowest quality companies¹ and is beginning to remind us of the meme-stock silliness from 2019 to early 2021. Frankly this all smells quite funky to us, and after decades of doing this, we’ve come to trust our sniffers. From the low² through quarter-end, the non-earners in the Russell 2000 Growth Index drove the party bus, up nearly 66% compared to 43% for the index itself; our Fund was up 40% net of fees. We’re never happy about lagging but are reasonably pleased the Fund has kept pace given the higher quality characteristics of our portfolio. As of September 30, for instance, 95% of our Fund was invested in profitable companies³ compared to a small-cap universe that’s 46% comprised of non-earners⁴. Our companies broadly report better-than-expected earnings, generate free cash, and have solid balance sheets. Novel concepts in 2025, apparently.



¹According to Jefferies analysis of the Russell 2000 Growth Index, non-earners and the lowest quintile of ROE and sales growth performed best in 3q25.

²From the market low on 4/8/25.

³As of 9/30/25, 95% of the Fund was invested in companies that were profitable in their latest reported quarter.

⁴According to JP Morgan Guide to the Markets.

AVERAGE ANNUAL TOTAL RETURNS (as of September 30, 2025)

	QTD	YTD	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)**	8.12%	10.56%	6.67%	18.02%	19.18%	14.82%	9.32%	1.01%/1.00%
Oberweis Small-Cap Opportunities Fund Investor Class (OBSOX)	8.07%	10.32%	6.39%	17.73%	18.90%	14.53%	9.04%	1.26%/1.25%
Russell 2000 Growth Index	12.19%	11.65%	13.56%	16.69%	8.41%	9.91%	7.31%	

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, 2024. Oberweis Asset Management, Inc. (OAM), the Fund’s investment advisor is contractually obligated through April 30, 2026 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)

This epic sentiment shift and the magnitude of the quality crash is now approaching levels seen at the peak of the post-pandemic “low quality bubble” in early 2021 (see above). Of the top 20 contributors to index performance in the quarter, eight were non-earners, including three “quantum computing” stocks with a combined market cap of \$53 billion on \$63 million of combined sales. The largest contributor was a speculative energy company trading at 110x sales. Another big winner: an early-stage air taxi company with a market cap of \$15 billion and no sales. Not our cup of tea⁵. These eight stocks alone accounted for 20% of the index return and 40% of our selection effect shortfall in the quarter.

The silver lining: we’ve been in a profitability factor bear market for nearly 10 years (see below⁶), and this latest junk rally could very well be its last gasp. It’s nonsensical to us that profitability is a negative performance factor in equity markets. We believe the more extreme the quality collapse, the more severe the snap-back is likely to be (as we experienced, albeit briefly, in 2021 and 2022). Not only are small caps generationally cheap compared to large caps, but profitable small cap companies are cheap relative to the entire small cap universe that includes these high-flying non-earners.



A mean reversion is long overdue for higher quality companies that make money, and when the decade-long profitability headwind becomes a tailwind again we feel good about our chances. While investors may have legitimate valuation concerns about certain indexes and stock cohorts, our universe valuation is currently below average, and we see good upside for our individual investments. Our focus, as always, remains on the company. We specialize in investing in small cap companies that have generated a significant positive earnings surprise and have, based on our research, the potential for better-than-expected results going forward. For years, the market hasn’t been willing to appropriately pay for these types of companies. We think we smell change in the air.

Fund Highlights

As of September 30, 2025, the Fund was 98.4% invested in 78 different positions. The Fund had its largest over-weightings in technology (41.0% average weighting during the quarter versus 21.5% for the Russell 2000 Growth Index) and consumer discretionary (14.4% versus 9.8%). The Fund was most underweight health care (13.1% versus 22.1%), industrials (16.0% versus 21.5%), and financials (5.6% versus 11.0%).

Overall performance in the third quarter benefitted from strong stock selection in technology (where our holdings returned 17.34% versus a 14.32% return for the benchmark’s technology holding). Performance also benefited from underweighting financials and overweighting technology compared to the benchmark. Our stock selection in industrials (11.38% versus 20.38%) detracted from performance during the quarter.

⁵ Stocks mentioned in this paragraph: RGTI, IONQ, QBTS, UEC, JOBY. Data as of 10/13/2025. Sales are last fiscal year.

⁶ The graph shows MSCI Barra’s Profitability Factor performance in their small cap USSC4 Model. Factor performance peaked in February 2016. According to MSCI, the Barra Profitability Factor “measures the return to equity and debt holders as well as the company’s profit margin. The descriptors in this factor are Sales Profit Margin, Return on Equity, Return on Assets, and the ratio of earnings to enterprise value.”



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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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