Oberweis Asset Management

OBERWEIS CHINA OPPORTUNITIES FUND MARKET COMMENTARY

3Q 2025

The Quarter in Review

In the third quarter, the Oberweis China Opportunities Fund returned 22.98% compared to 20.70% for the MSCI China Index, an outperformance of 228 bps. On a year-to-date basis, the Fund returned an exceptionally strong gain of 47.36%. This compares to 41.62% for the MSCI China Index for 574 bps of outperformance so far on the year. China's capital markets continued the positive momentum observed in the first half of the year. This quarter marked the third consecutive quarter of gains for the MSCI China Index and the first time since 2021 that the Index has appreciated three quarters in a row. The market recovery reflects both a gradual restoration of investor confidence and increased stabilization of the Chinese economy. Structurally, the Chinese economy is beginning to demonstrate medium and long-term growth potential, driven by a combination of supportive policy measures and evolving technology development, especially in AI.

At a macro level, fundamentals are stabilizing. Since early 2025, China's economic performance has been broadly steady. Although GDP growth remains around 5% — a moderate-to-low pace by Chinese standards — key indicators point to a material easing of downside pressure. In August, value-added industrial output for designated enterprises rose 5.2% year-on-year, marking twelve consecutive months above the 5% threshold. The services sector production index increased 5.6% year-on-year, indicating a gradual, albeit modest, recovery in domestic demand momentum. The Purchasing Managers' Index has remained at 49.8, the highest read in six months, while deflationary pressures persist --- CPI at -0.4% YoY and PPI at -2.9% YoY in August. Against this backdrop, market consensus is strengthening that the economy has "bottomed out and is stabilizing". Risk appetite has improved, and equity markets have materially advanced.

Facing both domestic and external challenges, China has followed the principle of "pursuing progress while ensuring stability." This has manifested in coordinated monetary, fiscal, and industrial policies with a clear pro-growth bias. The People's Bank of China maintained the Medium-Term Lending Facility (MLF) rate at 2%, guiding a reduction in the Loan Prime Rate (LPR) in May. The one-year LPR was lowered to 3%, while the five-year and longer LPR fell to 3.5%, effectively reducing financing costs for the real economy. In August, major commercial banks cut deposit rates by 10 to 25 basis points, alleviating pressure on net interest margins and enhancing their capacity for credit expansion. Overall, these measures are designed to reduce financing costs for the real economy and support credit expansion while maintaining macroeconomic stability.

Fiscal policy has accelerated in pace and improved in structure. The 2025 quota for newly issued special-purpose bonds was set at 4.4 trillion yuan, of which approximately 3.6 trillion yuan had been issued by the end of September, representing 83.2% of the annual target. Notably, 1.5 trillion yuan was issued in the third quarter alone, setting a new record for a single quarter and underscoring the front-loaded nature of fiscal stimulus. The allocation of special-purpose bonds has undergone significant adjustments, with three new priority areas: land reserves, the purchase of unsold residential housing, and emerging strategic industries—particularly those focused on artificial intelligence, quantum information, and biotech.

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

	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception 10/1/2005	Gross/Net Expense Ratio*
Oberweis China Opportunities Fund Institutional Class (OCHIX)**	**22.98%**	**47.36%**	**36.13%**	**15.53%**	**0.39%**	**8.26%**	**10.21%**	**1.92%/1.55%**
Oberweis China Opportunities Fund Investor Class (OBCHX)	**22.91%**	**47.17%**	**35.76%**	**15.24%**	**0.16%**	**8.00%**	**9.94%**	**2.16%/1.80%**
MSCI China Net	20.70%	41.62%	30.76%	19.46%	0.41%	6.77%	8.20%	

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.

**As of 12/31/2024. The gross expense ratio of expense off set arrangements and expense reimbursements was 2.16% and 1.92% for OBCHX and OCHIX, respectively. Oberweis Asset Management, Inc. (OAM), the Fund's investment advisor is contractually obligated through April 30, 2026 to reduce its management fees or reimburse OBCHX to the extent that total ordinary operating expenses exceed in any one year 2.24% expressed as a percentage of the Fund's average daily net assets and for OCHIX 1.99%. Effective September 30, 2025, the expense limit will decrease from 2.24% to 1.80% for OBCHX and 1.99% to 1.55% for OCHIX. During the term of the contract the adviser may recoup the amount of any expenses reimbursed under the term of the contract within three years from the date on which reimbursement occurred if the recoupment does not cause the Fund's expenses to exceed the expense limitation in place at the time of the recoupment or at the time of reimbursement, whichever is lower.*

***Institutional Class shares OCHIX 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 China Net Index is a free float-adjusted market capitalization-weighted Index of Chinese equities that include China-affiliated corporations and H shares listed on the Hong Kong Exchange, and B shares listed on the Shanghai and Shenzhen exchanges and P chips and foreign listings with minimum dividends reinvested net of withholding tax. It is not possible to invest directly in an index.

The Quarter in Review (continued)

Chinese industrial policy has adopted a differentiated, sector-specific approach. For industries with overcapacity, such as steel and cement, the government has emphasized "curbing destructive competition" ("anti-involution"), restricting low-level repetitive construction and promoting mergers and acquisitions. The Ministry of Industry and Information Technology (MIIT) issued the "Guiding Opinions on Curbing Low-Level Repetitive Construction", leading multiple regions to suspend approvals for energy-intensive projects. Initial progress in supply-side management is evident. In August, profits for industrial firms grew 20.4% year-on-year, rebounding from a previous monthly change of -1.5%, with a significant recovery observed in raw materials and processing industries. For high-tech sectors such as artificial intelligence (AI) and semiconductors, the focus remains firmly on achieving self-reliance and technological sovereignty. Despite U.S. permission for NVIDIA to export China-specific, performance-limited chips such as the A800 and H20, China continues to prioritize the development of a domestically controlled AI chip ecosystem. Domestic chips are already achieving substitution in multiple application scenarios: Baidu has migrated part of the training workload for its Ernie large model to Huawei's Ascend platform, and Alibaba Cloud also increased computing capacity powered by domestically produced chips in the recent quarters. While this transition may modestly slow model iteration in the short term, from the standpoint of national security and technological sovereignty, it represents a necessary and strategically sound long-term direction.

Sino-U.S. relations have entered a phase of temporary easing, marked by the resumption of economic and trade dialogue and broader thawing across multiple channels. Following a gradual restoration of high-level interactions since the second half of 2023, the third quarter of 2025 witnessed a renewed window of détente with substantive progress in the economic and trade sphere, which has bolstered market confidence and expectations for stability. After talks in Geneva and London, the two sides held further rounds of dialogue in Stockholm and Madrid in July and September, respectively, signaling sustained momentum in economic and trade consultations. More broadly, the thaw in relations extends beyond economics. Since 2025, military-to-military communication mechanisms have gradually resumed, including the reconvening of the U.S.-China Military Maritime Consultative Agreement (MMCA) Working Group. While the underlying nature of geopolitical competition remains unchanged, a pattern of "competition with cooperation, confrontation with communication" is increasingly taking shape. These positive developments have substantially alleviated market concerns over a "complete decoupling" between China and the United States.

Changes in the international financial environment have created favorable external conditions for China's capital markets. On September 18, 2025, the Federal Reserve announced a 25-basis point cut in the federal funds rate to 4.00%-4.25%, initiating a new round of interest rate cuts. The market expects cumulative rate cuts of 75 basis points for the year, with the policy focus shifting from "inflation fighting" to "recession prevention." This shift has multiple positive effects on China: narrowing interest rate differentials ease capital outflow pressures, a stronger Renminbi enhances the attractiveness of A-shares, and improved global sentiment towards technology investments benefits Chinese innovative enterprises.

Outlook

The third quarter of 2025 marked a pivotal turning point for China's economy and capital markets. Three consecutive quarters of positive returns reflect not merely sentiment recovery, but a broader confluence of stabilizing fundamentals, effective policy stimulus, and improved external conditions. Domestically, the coordinated macro policy "toolkit" has taken effect, confirming an economic bottom and accelerating industrial transformation. Externally, the Federal Reserve's rate cuts have ushered in global liquidity easing, while the temporary thaw in Sino-U.S. relations and resumption of trade talks have significantly reduced geopolitical uncertainty. Despite lingering challenges—including negative real estate investment growth, youth employment pressures, and residual deflationary concerns—policy space remains ample. As special bond-funded projects translate into tangible output, consumption incentives gain traction, and technological innovation deepens across sectors, it is highly likely that the annual growth target of around 5% will be achieved. In the medium to long term, China is transitioning from a model of scale-driven expansion to one focused on quality and efficiency. So long as the country continues to deepen reforms, strengthen technological innovation, and refine market mechanisms, its economic resilience and potential will continue to unfold—paving the way for sustainable revaluation in capital markets.

Even after a frenzied quarter, the valuation of the Chinese stock market remains attractive. The MSCI China Index is currently trading at 13.06x forward 12-month price-to-earnings ratio, compared with MSCI ACWI Index 19.29x and MSCI Emerging Markets Index's 13.66x, with projected earnings growth of 2% and 13% in 2025 and 2026 respectively.

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Fund Highlights

During the quarter, the Fund was 95.9% invested in 53 companies. The biggest performance contributors were healthcare, financials and materials. On the contrary, our biggest performance detractors were communication services, consumer discretionary and information technology.

Organization Update

There was no change to the team during the quarter.

Oberweis Asset Management's Investment Phillosophy

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.

Characteristic Definitions:

Forward P/E (Price to Earnings) Ratio: This is a measure of valuation. It divides the current share price of a company by the estimated future ("forward") earnings per share (EPS) of that company.

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