

# OBERWEIS INTERNATIONAL OPPORTUNITIES FUND MARKET COMMENTARY

4Q 2025

## Review

We are pleased to report a successful year, in which the International Opportunities Fund returned +31.07% vs. +29.69% for the benchmark, the MSCI World Ex USA Small Cap Growth Index. During the fourth quarter, the Fund returned -0.63% vs. +1.93% for the benchmark.

Global growth held up well in 2025. Larger-than-expected U.S. tariff increases announced in April initially weighed on growth expectations, but the outlook improved as partial rollbacks and exemptions were introduced and activity, particularly in Europe, remained resilient. Across most key developed markets, core inflation data continued their disinflationary trend in the fourth quarter. Euro area data point to continued services disinflation driven by easing wage pressures and a disinflationary impulse from Chinese export rerouting. Japan was the primary outlier amongst the developed markets as wage growth and inflation expectations have reset to higher levels.

Monetary policy across the developed economies has become increasingly divergent. The Bank of Japan tightened by 25bps and is expected to continue normalizing into 2026, whereas the ECB cut policy rates in June and is expected to maintain them at the current level. In contrast, there is a path to a sharper cutting cycle in the U.K. where the budget passed without any of the feared income tax increases, bank taxes or exit taxes, and no sovereign risk crisis. U.K. inflation is now on a solid declining trend and the labor market has been gradually softening.

A prominent political development over the quarter was the surprise election in October of Sanae Takaichi as Japanese prime minister. Her policy stance is considered to be growth-oriented and reflationary, with a focus on national resilience, energy self-sufficiency, artificial intelligence and cyber security. The Fund's Japanese weighting remains exposed to all of these themes.

## Outlook

The concluding line from our outlook in last year's review stated that we expected to look back on 2025 as marking the nadir in sentiment towards, as well as valuations of, international equities. Subsequently, international markets performed strongly in 2025. Yet, we are struck by how conditions today are in many respects still very similar to those of twelve months ago. Even after the strong performance of international markets, valuation differentials remain well above long-term averages and consensus investor sentiment is still disbelieving that international equities will continue to perform strongly. We like such consensus doubts, as low expectations increase the probability for further positive surprises. Additionally, geographic diversification benefits investors, especially when cheap valuations and improving earnings drive returns.

AVERAGE ANNUAL TOTAL RETURNS (as of December 31, 2025)								
	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 2/1/2007	Gross/Net Expense Ratio*	
<b>Oberweis International Opportunities Fund Institutional Class (OBIIIX)**</b>	<b>-0.63%</b>	<b>31.07%</b>	<b>14.10%</b>	<b>-0.94%</b>	<b>6.85%</b>	<b>8.27%</b>	<b>1.18%/1.10%</b>	
<b>Oberweis International Opportunities Fund Investor Class (OBIOX)</b>	<b>-0.69%</b>	<b>30.71%</b>	<b>13.82%</b>	<b>-1.18%</b>	<b>6.58%</b>	<b>8.00%</b>	<b>1.43%/1.35%</b>	
MSCI World ex-US Small-Cap Growth Index	1.93%	29.69%	13.73%	3.16%	7.43%	5.23%		

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](http://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](http://oberweisfunds.com) or call 800-323-6166. Read it carefully before investing.

\*Expense ratio is the total net annualized fund operating expense ratio as of 12/31/2025. The expense ratio gross of expense offset arrangements and expense reimbursement was 1.43% and 1.18% for OBIOX and OBIIIX, 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 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 OBIIIX 1.10%. 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 OBIIIX 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 Oberweis Funds are distributed by Oberweis Securities, Inc. Member: FINRA & SIPC.

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 (continued)

Looking ahead to 2026, the basic macro set-up appears favorable with Goldman Sachs forecasting global GDP growth of 2.8% allied with an ongoing acceleration in productivity growth. Such a combination promises to be supportive of earnings, albeit more questionable for the labor market. Inflation in the aggregate remains near target in most major economies, however we are cognizant that within the data there is evidence of differing price dynamics occurring simultaneously across advanced economies. As mentioned, divergence in central bank monetary policies is becoming increasingly evident. The next policy moves for the Bank of Japan and the Reserve Bank of Australia are expected by markets to be higher while the outlook is for the ECB to keep rates on hold in 2026. In contrast, in the U.S. expectations are for interest rates cuts of around 50bps.

One noticeable trend in 2025 was the strong performance of certain commodities. Gold and silver are not the only hard assets to break out to new highs. Copper has also been a clear beneficiary of investments in grid and energy infrastructure globally, as AI and defense heighten the need for robust and secure energy networks. Conversely, AI driven productivity effects are likely to assert a structural disinflationary impulse over time and, in Europe, energy price CPI this year has been deflating on a year-over-year basis. While much of this decline reflects an unwind from the 2022-23 energy price shock, European energy markets have also undergone long-term structural changes, as we discuss further below, that are likely to dampen long-run inflationary pressure and sensitivity to external supply shocks.

As we review the Fund's addressable investment universe, we see a plethora of interesting opportunities. We invest in stocks we determine to be attractive, which do not necessarily require bullish views of economies. However, the narrative around the United Kingdom and Europe as stagnating economies is perhaps the reason why like for like businesses listed in these markets still trade at significant discounts to those listed on the NYSE or the Nasdaq. This is an appealing starting point and behooves one to ask what feasibly could go right for the Euro area.

We mentioned in last year's letter that Europe had only recently emerged from a materially negative energy price shock following Russia's invasion of Ukraine, compounded by a sharp rise in interest rates. By contrast, the United States had benefited for more than a decade from a significant positive energy supply shock from shale, materially lowering domestic energy costs and supporting corporate margins. Recently, the situation in Europe has inflected towards the positive, with Europe absorbing much of its energy shock through diversification of supply, efficiency gains, and accelerated investment in renewables and electrification, structurally lowering marginal energy costs. This narrowing of the transatlantic energy cost gap represents a potential relative tailwind for European equities. Nonetheless, our sense is that making the consensus investment case for Europe is still controversial for investors whose sentiment on the region remains largely negative. As detailed in the recent White House report on the National Security Strategy of the United States of America, of course not everything is perfect in the European Union. One can legitimately worry about politics, an unnecessarily hawkish ECB, the lack of demand for long-dated government debt, the poor fiscal situation across many of its largest economies and a renewed China export focus. However, European equities are not a 1-to-1 expression or barometer for these factors. In part, this is because many European companies' revenue is globally exposed.

In Japan, further gradual tightening or "normalization" of monetary policy is expected in the coming year as the economy is now (finally) inflationary again. The current policy rate of 0.75% has broken the 0.50% barrier, which had lasted for 30 years, but remains low compared to rates in other key economies. Moreover, while long-dated Japanese bond yields have been increasing, real rates remain negative. Although 10-year JGB yields have risen to just under 2%, nominal GDP growth is close to 4% and as such, interest rates are still stimulative for the economy. For Japanese equities, one can therefore reasonably make the case that the benefits of inflation outweigh the costs of rising rates. At a more micro level, Japan is home to several indispensable companies within the AI semiconductor supply chain - businesses that are extremely difficult to replace and that should benefit regardless of whether GPUs or ASICs gain share, and irrespective of whether AI spending skews toward training or inference.

In summary, valuations remain attractive, growth is strong and disinflation is reasserting itself. Perhaps even more importantly for a Fund such as ours, we are also in the midst of a radical explosion of innovation that is providing many investment opportunities across a broad range of sectors and countries.

## Fund Highlights

At quarter-end, the Fund was invested in 77 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 (25.1% vs. 31.1%), United Kingdom (16.5% vs. 11.8%), Canada (15.3% vs. 11.0%), Germany (6.8% vs. 3.7%), and Australia (5.6% vs. 9.7%). On a sector basis, the Fund was overweight financials (14.5% vs. 7.1%) and underweight materials (6.6% vs. 13.4%).

## Organization Update

There are no changes to the International team or strategy.

## 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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