Oberweis
Asset Management

OBERWEIS CHINA OPPORTUNITIES FUND MARKET COMMENTARY

1Q 2026

The Quarter in Review

We are pleased to report an exceptionally strong quarter for the Oberweis China Opportunities Fund, both on an absolute and relative basis. Chinese equities declined in the first quarter, as measured by the -8.94% return on the MSCI China Index. However, our Fund bucked the trend, finishing the quarter with a gain of +7.57% and outperforming the benchmark by 1651 basis points. These results were driven by disciplined, high-conviction positioning in secular structural opportunities where earnings momentum, industry fundamentals, and long-term secular trends aligned with attractive valuations. This quarter's result highlights the efficacy of our process in China, where focused stock selection was able to deliver alpha even in a difficult market environment for Chinese equities.

China's economy showed mixed signals. Manufacturing performed well, with industrial output growing 6.3% and advanced manufacturing surging 13.1%. Exports surprised positively at 19.2% growth, driven by shipments to Southeast Asia and Europe. The government accelerated infrastructure spending, issuing RMB 1.16 trillion in bonds during Q1, up 21% from last year. Deflation pressures eased slightly, with March inflation rising to 1.3%. However, the recovery remains fragile. Consumer spending grew only 2.8% as households remain cautious. The property sector continued to struggle, with sales from top developers down approximately 25%. Youth unemployment remained elevated at 16.1%, well above the overall unemployment rate, with 12.7 million students expected to graduate in 2026. Weak consumer confidence and tight local government budgets continue to limit growth. The government maintained supportive policies with a 4% budget deficit and an accelerated RMB 1.3 trillion ultra-long bond issuance. Property market measures included mortgage rate cuts to as low as 3.0-3.2% in many cities. The 5-year lending rate was held at a historic low of 3.5%. Industrial policy focused on AI, semiconductors, and advanced manufacturing. These measures should provide support for economic growth in the coming quarters.

External uncertainty increased substantially. Middle East conflicts pushed Brent crude above USD 118 per barrel. The U.S. Federal Reserve delayed expected rate cuts, with expectations now calling for only one cut this year, strengthening the dollar and pressuring emerging markets. U.S.-China relations showed mixed signals, with some dialogue progress but bilateral trade falling 16.9%. President Trump's China visit was postponed to mid-May, making it a key event for second-quarter markets.

Despite broader market weakness, certain high-growth areas thrived and drove our outperformance. Chinese AI companies like MiniMax achieved rapid commercialization, with annual recurring revenue increasing 50% from over USD 100 million in December 2025 to over USD 150 million in February 2026. Chinese pharmaceutical innovation accelerated dramatically, with out-licensing deals reaching USD 60 billion in Q1 alone, approaching half of 2025's full-year total, as the industry evolved from licensing individual products to entire technology platforms. Taiwan's AI supply chain remained exceptionally strong, with TSMC revenue growing 36.8% and 22.2% year-over-year in January and February respectively, driven by relentless demand for advanced AI chips.

AVERAGE ANNUAL TOTAL RETURNS *(as of March 31, 2026)*

	QTD	1 YR	3 YR	5 YR	10 YR	Since Inception 10/1/2005	Gross/Net Expense Ratio*
Oberweis China Opportunities Fund Institutional Class (OCHIX)**	7.57%	33.09%	15.59%	-1.39%	8.43%	10.11%	1.58%/1.55%
Oberweis China Opportunities Fund Investor Class (OBCHX)	7.49%	32.75%	15.28%	-1.63%	8.16%	9.84%	1.83%/1.80%
MSCI China Net	-8.94%	3.85%	6.55%	-4.91%	5.07%	7.10%	

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 12/31/2025. The gross expense ratio of expense off set arrangements and expense reimbursements was 1.83% and 1.58% for OBCHX and OCHIX, respectively. Oberweis Asset Management, Inc. (OAM), the Fund's investment advisor is contractually obligated through April 30, 2027 to reduce its management fees or reimburse OBCHX to the extent that total ordinary operating expenses exceed in any one year 1.80% expressed as a percentage of the Fund's average daily net assets and for OCHIX 1.55%. 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.

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Outlook

We remain cautiously optimistic for the rest of 2026. The AI, pharmaceutical, and semiconductor trends that drove first-quarter performance show no signs of slowing. Policy support should strengthen, with expectations for at least one bank reserve requirement cut and a potential 10-20 basis-point reduction in the policy rate. Government bond implementation and consumption stimulus measures should provide additional economic support. However, a durable recovery depends on stabilizing property markets and restoring consumer confidence, neither of which is guaranteed in the near term. Externally, the May Trump-Xi summit, U.S. tariff and technology policies, and Federal Reserve rate decisions will significantly impact investor sentiment toward Chinese assets. Elevated oil prices and global stagflation concerns add further complexity. Chinese equities now trade at slightly below-average valuations, with a forward 12-month price-to-earnings ratio of 11.09x and projected earnings growth of 16% in 2026, compared to a 10-year historical average P/E of 11.64x.

We remain anchored in high-conviction, bottom-up stock selection. We continue to prioritize structural winners in AI infrastructure, biotech platforms with robust out-licensing pipelines, and advanced manufacturing leaders benefiting from import substitution and capacity expansion. Crucially, we target niche market leaders undergoing positive fundamental inflections that remain underappreciated by the broader market. For these businesses, secular growth is driven by product adoption and innovation cycles rather than headline GDP. By aligning our Fund with China's evolving economic drivers—while maintaining rigorous risk and liquidity management to navigate broader market volatility—we are well-positioned to uncover mispriced opportunities and deliver sustained alpha.

Fund Highlights

During the quarter, the Fund was 96% invested in 54 companies. The biggest performance contributors were information technology, industrials, and communication services. On the contrary, our biggest performance detractors were health care, utilities, and consumer staples.

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.

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