Oberweis
Asset Management

OBERWEIS FOCUSED INTERNATIONAL GROWTH FUND (OFIGX) MARKET COMMENTARY

2Q 2026

The Quarter in Review

For the second quarter, the Focused International Growth Fund returned +14.45% vs. +10.82% for the Fund's benchmark, the MSCI EAFE Index. Year-to-date, the Fund has returned +12.35% vs. +9.44% for the benchmark.

Technology and AI continued to dominate global markets. Technology earnings were strong, supported by record hyperscaler capex. Capex outside of technology also showed marginal improvement, and overall corporate earnings were strong for the quarter. Risk sentiment improved as the conflict in Iran and geopolitical tensions in the Middle East somewhat stabilized. As a result, equities performed well in the quarter and staged a sharp rebound from the March lows.

Market Commentary

Across the G10 economies, economic activity was robust over the quarter, household balance sheets remained strong and core inflation measures came in roughly in line with expectations. Earnings delivery and expectations continued to trend positively. Perhaps counter-intuitively given its status as a net importer of natural gas, 2026 EPS projections for Europe moved higher over the period despite energy prices that were elevated for much of the quarter. A recovery in the region's GDP growth and a rising economic surprise index should support further upward revisions to earnings estimates. Moreover, Eurozone inflation data has been softer than expected, and PMI readings indicate an ongoing rebound in manufacturing activity. On June 11, the ECB announced a 25bps increase to its benchmark deposit rate to 2.25%, continuing its gradual normalization. This coincided with the U.S. and Iran signing the Islamabad Memorandum leading to an immediate drop in energy prices. The agreement has reduced downside risks to the global economic outlook and likely implies sequential increases in H2 global GDP growth as real incomes benefit from lower gas prices. The United Kingdom marked the 10th anniversary of the Brexit referendum with Sir Keir Starmer's resignation, paving the way for its seventh prime minister in a decade. Many investors are concerned about a move to the left within the governing Labour Party as the former mayor of Greater Manchester, Andy Burnham, moves to assume the premiership. The negative market sentiment towards the U.K. is reflected in low valuations of U.K. assets and the highest 10-year yields among the advanced economies. Nonetheless, the economy is exposed to significant medium-term opportunities that could be unlocked by supportive government policies. It remains strong in life sciences, biotechnology, genomics, and services, leaving it less vulnerable to global tariffs and rising Chinese export competition, and more exposed to AI productivity gains than manufacturing-heavy economies. Britain also houses one of the world's largest AI sectors, with strong research institutions and London acting as a major AI hub.

AVERAGE ANNUAL TOTAL RETURNS (*as of June 30, 2026*)						
	QTD	YTD	1 YR	3 YR	Since Inception 4/1/2022	Gross/Net Expense Ratio*
Oberweis Focused International Growth Fund (OFIGX)	**14.45%**	**12.35%**	**19.01%**	**20.66%**	**10.64%**	**1.78%/0.81%**
MSCI EAFE	10.82%	9.44%	20.23%	16.44%	11.74%	

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 12/31/2025. Oberweis Asset Management, Inc. (OAM), the Fund's investment advisor is contractually obligated through April 30, 2027, to reduce its management fees or reimburse OFIGX to the extent that total ordinary operating expenses exceed in any one year 0.81% expressed as a percentage of the Fund's average daily net assets. 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.

The Oberweis Funds are distributed by Oberweis Securities, Inc. Member: FINRA & SIPC

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world. excluding the US and Canada. The index is comprehensive, covering approximately 85% of the free float-adjusted market capitalization in each country. It is not possible to invest directly in an index.

Market Commentary (continued)

The Bank of Japan raised its benchmark policy rate by 25bps to 1.0% in June, its highest level since 1995. Underlying inflation in Japan remains benign, however, and the economy is developing in line with the central bank's base assumptions. Japanese equities were the standout performer among developed markets in H1, with the Nikkei 225 Index +39% in local currency. AI beneficiaries have led the way with AI-related stocks accounting for approximately 50% of the index's market capitalization. While the share price gains have been rapid, the rally has been driven by earnings growth – the forward multiple for the TOPIX has in fact declined year to date.

The quarter was also notable for marking the beginning of Kevin Warsh's term as Chairman of the Federal Reserve. The early months of a new Fed Chair's term have often proved unkind to equity markets, and indeed with the first FOMC meeting under Chairman Warsh more hawkish than expected, the end of the quarter coincided with an increase in volatility, particularly in AI. Korea's Kospi index, perhaps the index most levered to the theme with a 60% weighting in just two stocks (SK Hynix and Samsung), is up over 100% year to date. However, half of Korea's limit down days this century have occurred this year, and 20% of them in the back half of June.

Outlook

Some of the recent AI-related volatility reflects the concentration of capex in a handful of hyperscalers, whose spending plans are being watched very closely by the market. Calling the top of such a powerful cycle requires foresight that arguably no one has. Nonetheless, there is an expectation of a continuing capex boom, and the narrowness of spreads in deep cyclicals is a sign of how much confidence remains in the theme enduring. Along with some widening of spreads in more stable parts of the market, in aggregate the market looks somewhat bifurcated between AI haves and have-nots.

The degree to which this continues comes down largely to whether the AI phenomenon is "real". At this point it looks more real than false. So far there is little hard evidence of a slowing in AI investment intent: Anthropic is likely to go public in the coming months with ARR rumored to have increased from $9 billion at the end of 2025 to $60 billion in June; Alphabet recently executed an equity raise of over $80bn on top of incremental debt financing; and Nebius, a leading neocloud provider, is entirely sold out of its available AI computing power and rushing to bring on additional capacity. Such demand is mirrored at Amazon, whose AWS segment has just raised prices for reserving its AI chips by 20%. The adoption of AI in the economy continues to grow as reflected, for example, in the rising share of businesses with a paid AI subscription. Data points such as these suggest investment appetite remains intact and reflect the shift from capital-light leadership to a capex-intensive regime.

There are, of course, risks. The irony of current market conditions is that the spenders – investing with uncertain returns – and those facing margin pressure from pricing and bottleneck squeezes have seen their share prices punished (in aggregate the so-called Magnificent 7 was down -2.5% in H1), while those benefitting from these same drivers have outperformed. Should one of the spenders signal a slowing of capex relative to expectations, the AI factor would almost certainly come under pressure. Indeed, at the beginning of July, Meta announced it would launch a cloud business. A plausible interpretation is that Meta lacks sufficient utilization for its own capacity – in other words that it has overbuilt its compute for internal requirements. Its stock rose on the news, while the semiconductor sector was widely sold off. Political opposition to data centers in the U.S. is also growing and, as November's midterms approach, we expect negative narratives around AI's impact on society and employment to garner more attention.

While share prices of AI companies will likely exhibit short-term price volatility, short-term share price movements need not signal the end of the investment cycle – indeed, we likely remain in the midst of a multi-year build-out – but it is a clear reminder to stay vigilant for possible shifts in perceptions of AI's net winners and losers. Within the theme, our direct AI exposure is concentrated in the enabling supply chain: the semiconductor equipment, specialist materials, and test franchises on which the industry relies. Positioning at the end of the quarter tilts towards "intensity" over "units" – businesses whose content grows with each step up in chip complexity, and whose high barriers and proprietary technology should sustain above-consensus earnings.

With market participation thus far relatively depressed, and valuations across non-U.S. markets still attractive relative to the U.S. (forward PE's remain at discounts to the U.S. greater than the long-term average across almost every sector), we consider the conditions for a broadening rally to be present. Geopolitical headwinds may be easing and macro indicators are improving. PMIs are recovering, global growth has been strengthening, and energy costs are dissipating. As such, earnings breadth ought to improve across a diversified range of sectors.

Given the Fund's very strong track record, the current highly attractive starting point with a still steep valuation discount for the asset class and the strong portfolio, the team recently added yet again significantly to their personal holdings in the Fund.

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Fund Highlights

At quarter-end, the Fund was invested in 39 stocks in 10 countries. Our top five country weightings (Fund weighting versus the MSCI EAFE Index) at the end of the quarter were Japan (29.9% vs. 23.6%), United Kingdom (19.7% vs. 14.1%), Switzerland (15.9% vs. 9.6%), Germany (11.8% vs. 8.8%), and the Netherlands (4.2% vs. 6.4%). On a sector basis, the portfolio was overweight consumer discretionary (14.3% vs. 8.2%) and underweight consumer staples (3.0% vs. 6.8%).

Organization Update

There are no changes to the International team or strategy.

Oberweis Asset Management Investment Philosophy

We believe that investing in innovative companies driving revenue and earnings growth in excess of expectations results in superior investment performance over long periods of time. The entrepreneurial spirit is alive and well at these companies. Many 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. It also requires the patience and fortitude of a long-term investor and to hold structural winners through the short-term jitters of the stock market.

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