

OBERWEIS MICRO-CAP FUND MARKET COMMENTARY

2Q 2026

The Quarter in Review

The Oberweis Micro-Cap Fund returned 37.35% in the second quarter of 2026 versus 28.98% for the Russell Microcap Growth Index, exceeding the benchmark by over 800 basis points. Year-to-date through June 30, the Fund returned 56.02%, outperforming by over 3,200 basis points. It was an extraordinary quarter for U.S. micro cap and small cap stocks, which shrugged off yet another macro calamity — this time the war with Iran — to post their best quarter since the fourth quarter of 2020. Encouragingly, after a decade that favored large caps, smaller companies are showing leadership once again; the Russell Microcap Growth Index has outperformed the Russell 1000 Growth Index by over 1,200 basis points in the quarter and by over 3,300 basis points in the trailing one-year period. The driver: Russell 2000 earnings growth projections for 2026 have reached 38%, attributed to the AI capital expenditure boom. Lower-quality shares again performed better within the small cap growth market during the quarter and six-month period, a headwind we were nonetheless able to overcome despite our portfolio's material overweight to profitable, higher return-on-equity companies. We focus on investing in companies generating an earnings surprise driven by a misunderstood fundamental change.

We believe this is likely just the start of a sustained period of smaller company leadership on both an absolute and relative basis, and history is on our side: when the Russell 2000 Growth has been this strong in the June quarter, it gained roughly 22% on average the rest of the year. Our conviction rests on several pillars. First, despite the recent rally, the relative valuation gap between small and large caps remains near historically attractive extremes, and even on an absolute basis the forward multiple of our investable universe still sits below its long-run median. Second, it is our view that the market dominance of the "Magnificent 7" has likely peaked and will wane in the coming years, because artificial intelligence represents a genuine business-model risk. These companies face a prisoner's dilemma on AI spending that has compressed their aggregate free cash flow to nearly zero for an uncertain return on investment. The choice is stark: spend and possibly lose, or don't spend and most likely lose. The bill is staggering — capital expenditures for the major hyperscalers are projected to climb from \$416 billion in 2025 to about \$758 billion in 2026 and nearly \$1 trillion by 2028. In our experience, contracting free cash flow combined with uncertain ROI rarely drives stock-price success, and top-heavy concentration in the S&P 500 is already easing.

The biggest reason for our optimism, however, is our belief that smaller companies disproportionately benefit from the emergence of artificial intelligence. Countless micro caps across the technology, industrials, and energy sectors are directly profiting from the AI buildout, the most significant secular growth driver we have ever seen. But there is a second wave we believe is still not well understood: the efficiency gains of agentic AI should, in our view, accrue more profoundly to micro cap companies. Nimble and less complex than their multinational large-cap brethren, smaller companies should adopt AI efficiencies more quickly and more fully, leading to better-than-expected margin expansion and earnings. AI diminishes the competitive advantages historically found with the market giants, and AI could help microcaps be more competitive. With only 21% of U.S. businesses currently using AI in any function, the runway is enormous. We expect this backdrop will usher in a golden era for active management, as the divide between AI winners and losers widens.

¹For the 1-year period ended 6/30/2026, the Russell Microcap Growth Index returned 51.30% versus 17.71% for the Russell 1000 Growth Index.

²According to Jefferies, non-earners and the most expensive two P/E quintiles within the Russell 2000 Growth Index performed best during the quarter.

³Source: Jefferies

AVERAGE ANNUAL TOTAL RETURNS (as of June 30, 2026)

	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 1/1/1996	Gross/Net Expense Ratio*
Oberweis Micro-Cap Fund Institutional Class (OMCIX)**	37.35%	56.02%	78.57%	30.43%	21.12%	22.78%	13.61%	1.21%/1.21%
Oberweis Micro-Cap Fund Investor Class (OBMCX)	37.29%	55.84%	78.14%	30.11%	20.81%	22.48%	13.33%	1.46%/1.46%
Russell Microcap Growth Index	28.98%	23.50%	51.30%	23.15%	3.30%	10.79%	N/A	

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 offset arrangements and expense reimbursements was 1.46% and 1.21% for OBMCX and OMCIX, 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 OBMCX to the extent that total ordinary operating expenses, as defined, exceed in any one year the following amounts expressed as a percentage of each Fund's average daily net assets: 1.8% of the first \$50 million; plus 1.6% of average daily net assets in excess of \$50 million; and for OMCIX 1.55% of the first \$50 million; plus 1.35% of average daily net assets in excess of \$50 million.

**Institutional Class shares OMCIX 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 Microcap Growth Index measures the performance of those Russell Micro Cap companies with higher price-to-book ratios and higher forecasted growth values. The performance data includes reinvested dividends.

The Russell Microcap Index is represented by the smallest 1,000 securities in the small cap Russell 2000 Index plus the next 1,000 securities. Each 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)

Meanwhile, the macroeconomic backdrop remains reasonably constructive, albeit increasingly nuanced. Labor markets are broadly stable — payrolls rose 172,000 in May and the unemployment rate sits at 4.3% — and the consumer remains on solid footing, with a household debt-service ratio of just 11.1%, well below historical norms. The potential for falling gas prices could further support the consumer and economic growth in the second half of the year. The storm clouds we are watching include weak composite Purchasing Managers' Index readings in Europe and, more pressing, potentially stubborn inflation that forces new Fed Chair Kevin Warsh to be incrementally more hawkish compared to his more dovish reputation in the market. Contentious mid-term elections and the potential for a flare up in the Middle East also bear monitoring.

While stock price sentiment may swing wildly in the short-run in response to incremental economic data, comments by the Federal Reserve, headlines, and TV soundbites, our bottom-up investment strategy focuses instead on companies demonstrating better-than-expected earnings power driven by transformational fundamental change. The P/E multiples afforded such companies may vary from quarter to quarter, but we believe a diversified Fund of these investments is likely to outperform the market over the longer term.

Fund Highlights

As of June 30, 2026, the Fund was 95.3% invested in 72 different positions. The Fund had its largest overweightings in technology (36.3% average weighting during the quarter versus 25.3% for the Russell Microcap Growth Index) and industrials (22.3% versus 15.3%). The Fund was most underweight health care (15.3% versus 35.7%, primarily due to primarily due to our significant and historically consistent biotech underweighting) and materials (0.6% versus 4.3%).

Performance in the second quarter was positively impacted by stock selection in technology (where our holdings returned 83.80% versus 70.71% for the benchmark's technology holdings) and financials (40.81% versus 22.80%). Our overweight allocation to technology also benefitted performance. Our stock selections in healthcare (20.40% versus 24.25%) and consumer discretionary (13.46% versus 18.71%) detracted from performance.

Organization Update

There was no change to the team during the quarter.

Oberweis Asset Management 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.

For more information please contact:

Brett Pierson, Director, Head of National Key Accounts & Advisor Sales
(630) 577-2354 | brett.pierson@oberweis.net

Tom Labelle, Director, National Key Accounts & Advisor Sales
(630) 577-2367 | thomas.labelle@oberweis.net

Benjamin Krimmel, Vice President, National Key Accounts & Advisor Sales
(630) 577-2358 | ben.krimmel@oberweis.net