Oberweis
Asset Management

GLOBAL OPPORTUNITIES MARKET COMMENTARY

3Q 2026

The Quarter Review

The Oberweis Global Opportunities strategy performed well in the first nine months of 2026, returning 23.67% (22.94% net of fees) versus 12.43% for the MSCI ACWI Small Cap Index, an outperformance of 1124 basis points (1051 basis points net of fees). The strategy underperformed in the third quarter, returning -5.52% (-5.71% net of fees) versus -3.17% for the benchmark. Since inception in 2015, the strategy has generated an average annual return of 11.95% (11.07% net of fees) compared to 8.87% for the benchmark.

Market Environment

The third quarter was more challenging for the small cap market and our strategy, which was not terribly surprising given our strong absolute performance and relative out-performance in the first half of the year. Stocks sometimes need to breathe and consolidate, and we saw some of that during the quarter. Key investments in companies positioned to benefit from AI drove the strategy's strong returns in the first half of 2026. In the third quarter, however, those same companies retreated amid a compression of AI stock multiples. During a period of massive and disruptive innovation, it is common to have a divergence of views as to the magnitude, duration, and consequences of such change. In our world, that manifests as volatility.

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 somewhat 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.

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.

AVERAGE ANNUAL TOTAL RETURNS (*as of September 30, 2026)*

	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 1/1/2015
Global Opportunities (gross of fees)	**-5.52%**	**23.67%**	**26.92%**	**21.98%**	**6.84%**	**12.25%**	**11.95%**
Global Opportunities (net of fees)	**-5.71%**	**22.94%**	**25.92%**	**21.02%**	**5.99%**	**11.36%**	**11.07%**
MSCI ACWI Small-Cap Index	-3.17%	12.43%	15.42%	17.51%	7.06%	9.60%	8.87%

Past performance is not necessarily indicative of future results. Performance is historical and includes the reinvestment of dividends and other income. Unusually high returns may not be sustainable. The strategy invests 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. Net-of-fee composite returns are calculated using the highest model investment advisory fees applicable to portfolios within the composite. Advisory fees are disclosed in Part II of Form ADV.

Oberweis Asset Management, Inc. "OAM") is an independent investment management firm that is not affiliated with any parent organization. The composite returns are comprised of all fully discretionary accounts with a minimum value of $5 million. Performance results from 1-1-2015 until present were derived solely from the performance of the Oberweis Global Opportunities Fund, a registered, open-end mutual fund, for which OAM serves as investment adviser. Accounts are dollar-weighted within the composite and reported in U.S. dollars.

The MSCI ACWI Small-Cap Index (Net is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of small cap developed markets and emerging markets, with minimum dividends reinvested net of withholding tax. The MSCI ACWI Small-Cap Index began on May 31, 1994. It is not possible to invest directly in an index.

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Outlook

The market remains concerned and skeptical about the AI buildout as capital spending reaches new highs and discussion of a potential "bubble" intensifies. U.S. hyperscalers[1] expect to spend nearly $800 billion in 2026, up over 90% from last year. For 2027, estimates have risen to nearly $1.1 trillion, up another 37%. While a bubble may ultimately develop, we see several differences between today's environment and the internet boom and bust we experienced firsthand in the late 1990's. First, AI could match or exceed the impact of some of history's most important modern innovations – the printing press, steam engine, antibiotics, and the microprocessor. This is a very big deal and its eventual impact on business, the global economy, and our personal lives will be profound. Second, this buildout is not driven solely by return on investment; it's an arms race in which a few winners may reap outsized rewards. The Prisoner's Dilemma applies: while hyperscalers might collectively earn better returns by investing more cautiously, each has an individual incentive to spend aggressively to secure an advantage in a possible "winner-take-all" market. We worry about and carefully monitor a litany of risks, including "cheap" Chinese models, financing costs, government regulation, and power requirements. Eventually, excess computing capacity could intensify price competition, reduce returns on invested capital, and create a bubble. But in our view, we are not there yet. In the meantime, competitive instincts will continue to drive spending, substantially supported by company cash flows. Importantly, most of our AI exposure is to suppliers serving all of the hyperscalers and frontier model providers as they build data centers. In other words, we are agnostic about who wins the race for AI leadership. Third, we're in the early innings of AI business use[2] and the uptake of agentic AI will drive even more demand for compute. Fourth, current valuations are less extreme than what we witnessed during the internet bubble. Cisco Systems (CSCO), emblematic of for the internet boom, peaked at $80 in 2000 on $0.53 in EPS. Nvidia (NVDA), the AI market leader, trades in early October around $230 and is expected to earn $9.37 in its current fiscal year. According to an analysis by Empirical Research Partners[3], "the set up in the market doesn't look like a classic bubble, and given the strong financial characteristics of the leadership the multiple being paid for growth isn't irrational." We see this in our AI-related holdings, which we believe still offer sizable earnings gaps[4] and attractive valuation upside. There are pockets of extreme valuations, but our valuation discipline keeps us away from companies where the price of growth is excessive. The P/E ratio of our investment universe remains slightly below average, suggesting valuations are broadly benign.

While the AI buildout has been a meaningful contributor to economic growth, the broader economy continues to chug along despite higher gas prices, mortgage rates, and persistently stubborn inflation. The Global Composite Purchasing Managers' Index points to expansion in Europe, Japan, China, India, and the U.S. The American consumer, while lacking in confidence, is benefitting from an abnormally low debt service ratio[5], helping offset inflation pressures elsewhere in their budgets. Non-farm payrolls are still increasing, albeit slowly, and the unemployment rate remains below its long-term average at 4.1%. The result: the Atlanta Fed projects U.S. GDP growth of 3.7% in the third quarter. Against this backdrop, we continue to identify numerous investment ideas outside AI, namely in consumer discretionary, healthcare, and industrials.

As we move toward year-end, several factors bear watching that could pressure stocks in the short-term. The biggest development in the third quarter was the rapid increase in interest rates. The 10-year U.S. Treasury yield rose from 4.42% on June 30 to 5.29% at quarter-end and is 113 basis points higher than at the start of the year. The culprit: our politicians continue to spend money like drunken sailors on shore leave. The US national debt now exceeds $40 trillion, and the debt-to-GDP ratio is nearing 100%, its highest level since World War II. Buyers of that debt are becoming scarcer as foreign investors grow more concerned about American global leadership and competition from hyperscaler debt issuance increases. Inflation pressures from the Iranian quagmire complicate the Federal Reserve's policy decisions. We are not at a tipping point yet, but the temperature in the greenhouse is rising fast. The midterm elections also warrant monitoring, as a potential major shift in congressional control is likely to be hotly contested, both before and after the elections.

While sentiment and equity prices may fluctuate sharply in the short-run in response to the latest macro headlines, our investment approach instead focuses on companies generating better-than-expected earnings power driven by transformational change. The P/E multiples investors are willing to pay for these companies may vary from quarter to quarter, but we believe a diversified portfolio of these investments is likely to generate enhanced long-term returns. Rising volatility, in our view, would represent a compelling long-term buying opportunity.

[1]Source: JP Morgan. Hyperscalers = GOOGL, AMZN, META, MSFT, and ORCL.

[2]According to JP Morgan, only 24% of firms surveyed are using AI "in any business function"

[3]Empirical Research Partners, Portfolio Strategy October 2026. "A Bubble? The Pricing of Top-Line Growth and Margin Increases"

[4]The "earnings gap" is the difference between the Oberweis estimate and the Wall Street consensus estimate.

[5] Debt payments as a percentage of disposable personal income.

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Portfolio Highlights

As of September 30, 2026, the portfolio was 96.2% invested in 53 different positions. The portfolio had its largest over-weightings in technology (29.8% average weighting during the quarter versus 15.5% for the MSCI ACWI Small Cap Index), consumer discretionary (17.1% versus 10.3%), and health care (14.0% versus 10.7%). The portfolio was most underweight financials (5.6% versus 14.1%), real estate (0.0% versus 7.5%), and materials (2.9% versus 8.3%).

Geographically, the strategy maintains a diversified portfolio, with a slightly more than half of the portfolio invested in the U.S. and the balance in non-U.S. companies. Emerging markets comprised approximately 1.2% of the portfolio. Note that our strategy is primarily driven by individual stock selection within our risk management protocols and quarter-to-quarter fluctuations in country weights are typically a residual of where we are finding the most interesting individual companies. In terms of geographic distribution, the portfolio was on average 54.9% invested in North America, 27.8% in Europe, and 10.1% in Asia.

During the third quarter, the portfolio benefitted from being overweight in the U.K. and from strong stock selection in Australia (where our holdings returned 10.51% versus 2.34% for the MSCI ACWI Small Cap Index). The portfolio was adversely impacted by stock selection in the US (-8.87% versus -7.20%) and China (-29.87% versus -0.40%). At a sector level, portfolio performance benefited from stock selection in the industrials sector (-2.78% versus -7.40%) and consumer discretionary (-1.68% versus -5.63%). Conversely, stock selection in technology (-15.47% versus -7.52%) and health care (-0.65% versus +5.88%) detracted from performance.

Organization Update

There was no change to our Global Opportunities team this 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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