Oberweis
Asset Management

OBERWEIS SMALL-CAP OPPORTUNITIES FUND MARKET COMMENTARY

3Q 2026

The Quarter in Review

The Oberweis Small-Cap Opportunities Fund returned -11.45% in the third quarter, trailing the Russell 2000 Growth benchmark return of -9.39% by 206 basis points. Year-to-date through September 30, the Fund returned 26.21% versus 10.71% for the index.

The third quarter was more challenging for the small cap market and our Fund, which was not terribly surprising given the strength exhibited in the first half. Stocks sometimes need to breathe and consolidate, and we saw some of that during the quarter. Broadly, value outperformed growth and large caps bested small caps. Within the small cap growth market, technology and industrials were the worst-performing sectors as companies exposed to artificial intelligence (AI) corrected. Many of our portfolio holdings in those sectors came under selling pressure as several hedge funds, notably Situational Awareness, were forced to liquidate over-levered positions. Interestingly, price declines in our AI-related holdings coincided with strong earnings reports and rising earnings estimates, resulting in increasingly compelling valuations. This disconnect between short-term stock price declines and improving fundamentals allowed us to advantageously add to several positions at attractive prices.

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. 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.

[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.

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

	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception 9/15/96	Gross/Net Expense Ratio*
Oberweis Small-Cap Opportunities Fund Institutional Class (OBSIX)**	**-11.45%**	**26.21%**	**30.84%**	**21.49%**	**14.06%**	**17.71%**	**9.97%**	**1.01%/1.00%**
Oberweis Small-Cap Opportunities Fund Investor Class (OBSOX)	**-11.50%**	**25.99%**	**30.51%**	**21.19%**	**13.77%**	**17.42%**	**9.70%**	**1.26%/1.25%**
Russell 2000 Growth Index	-9.39%	10.71%	12.05%	17.55%	4.72%	9.90%	7.46%	

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.

*The gross expense ratio of expense off set arrangements and expense reimbursements was 1.26% and 1.01% for year ended December 31, 2025 in OBSOX and OBSIX, 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 OBSOX to the extent that total ordinary operating expenses exceed in any one year 1.25% expressed as a percentage of the Fund's average daily net assets and for OBSIX 1.00%.

**Institutional Class shares OBSIX 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 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted earnings growth rates. The 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)

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 , 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 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 Fund of these investments is likely to generate enhanced long-term returns. Rising volatility, in our view, would represent a compelling long-term buying opportunity.

Fund Highlights

As of September 30, 2026, the Fund was 97.7% invested in 77 different positions. The Fund had its largest over-weightings in technology (37.0% average weighting during the quarter versus 19.2% for the Russell 2000 Growth Index) and consumer discretionary (11.5% versus 8.9%). The Fund was most underweight health care (19.4% versus 29.2%) and materials (0.5% versus 4.4%).

Overall performance in the third quarter was impacted by strong stock selection in health care (where our holdings returned +0.82% versus a -2.81% return for the benchmark's health care holdings) and consumer discretionary (-4.82% versus -9.11%). This was offset by our exposure to technology, where stock selection (-16.88% versus -12.95%) and our overweight allocation to the sector detracted from performance during the quarter.

Organization Update

There was no change to the team during the quarter.

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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