



Oberweis

Asset Management, Inc.

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Oberweis Premier Account
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This brochure provides information about the qualifications and business practices of Oberweis Asset Management, Inc. ("OAM"). If you have any questions about the contents of this brochure, please contact us at (800) 323-6166 or joyce@oberweis.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply a certain level of skill or training.

Additional information about OAM also is available on the SEC's website at www.advisorinfo.sec.gov.

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Material Changes

The following material changes have been made to the brochure subsequent to its last update on March 31, 2011: the “Methods of Analysis, Investment Strategies, and Risk of Loss” section has been expanded to provide additional information pertaining to Oberweis’ investment research philosophy.



Services, Fees, and Compensation

The Company

Oberweis Asset Management, Inc. ("OAM") was established in 1989 and is headquartered in suburban Chicago. OAM is an independent investment management firm that specializes in managing small/mid-capitalization growth strategies for institutional and retail clients, as well as The Oberweis Funds, a no-load mutual fund family, for which OAM serves as investment adviser.

Oberweis Culture

Oberweis is a bottom-up, active manager that searches for what we believe are superior fundamental, growth, and valuation characteristics in small and mid-capitalization equities globally. Oberweis professionals are focused on identifying undervalued smaller-capitalization companies around the world with earnings power that Oberweis believes are significantly higher than market expectations.

The investment team is led by Jim Oberweis. Team responsibilities are allocated primarily by geography. The firm employs a disciplined and repeatable investment process that focuses on situations in which our team's analysis is designed to positively and materially vary with the expectations of other investors.

The Oberweis culture seeks to embrace an entrepreneurial spirit. The team operates in a non-bureaucratic environment that permits timely communication, processing of new information, and decision-making. Oberweis portfolios are managed by small autonomous teams of professionals who are compensated for success and isolated from bureaucracy.

Our People

Oberweis' success starts with its people. Oberweis is 100% owned by its employees and the Oberweis family, with James W. Oberweis as the principal shareholder. Many senior team members of Oberweis are also equity owners. Oberweis has built an experienced investment team that has an average 15 years of experience in the industry.

Our Services

A Premier Account is a discretionary fee-based portfolio management program that provides those clients that generally invest less than \$5 million in assets with investment advisory, custody performance reporting, execution and communication services for a single "wrap fee." In addition to the single wrap fee, OAM charges Premier Account clients \$20 for each transaction executed. OAM is the sole portfolio manager available for a Premier Account.

Premier Program clients may select between a Small-Cap Premier Account or a Custom Premier Account. Small-Cap Premier Accounts are invested in micro, small, and medium capitalization high growth stocks. Custom Premier Accounts also invest in high growth stocks, but a portion of the assets are also invested in an appropriate mix of other types of equity securities and investment grade fixed income securities to seek to reduce the volatility in the

account. However, there can be no assurance that this will reduce the risk of loss in an account. Custom Premier Accounts are invested according to the specific desire and risk preferences of each individual client. Small-Cap Premier Accounts are designed only for aggressive investors who can accept above-average volatility. All Premier Accounts may experience above-average volatility and the account may be worth more or less than the client's original investment.

The goal of a Premier Account is to invest a client's account in a portfolio of securities that is suitable for the client based upon OAM's understanding of the client's financial condition, investment objective and restrictions, and to provide the other services noted above on behalf of the account for a single fee. A Premier Account includes regular client communication. A Premier Account does not provide comprehensive financial planning on behalf of clients.

The financial consultant responsible for establishing and monitoring the client's account will provide to the client, and, to the extent requested by the client, will assist the client in completing an account application designed to elicit information regarding the client's financial situation (including cash flow needs), investment objective, goal and restrictions. This information and subsequent discussions with the client will be used by OAM to tailor the account's risk profile and time horizon. Each client should immediately contact their financial consultant if there are any changes to the client's financial status, investment objectives, goals or restrictions to allow OAM to assess whether those changes impact the manner by which OAM manages the client's Premier Account.

Each client should be aware that careful and accurate responses to the questions contained in the account application will play a key role in OAM's ability to manage the account. However, no assurance can be given to a client that he or she will achieve his or her investment objectives by participating in a Premier Account.

Oberweis Securities, Inc. ("OSI"), a registered broker/dealer and under common control with OAM, executes all trades for Premier accounts. OSI's clearing firm, National Financial Services ("Custodian"), serves as custodian for client assets invested in a Premier Account.

OAM may utilize the services of its wholly-owned affiliate, Oberweis Asset Management (Asia) Limited ("OAMA"), a U.S. registered investment adviser that is located in Hong Kong and which also is registered with the Hong Kong Securities and Futures Commission.

Execution and Related Services

OAM expects that substantially all portfolio transactions for Premier Accounts will be executed through OSI. Clients should be aware that the use of OSI for the execution of Premier Account securities transactions may result in certain costs or disadvantages to the client, either because of the additional \$20 per transaction fee or because the use of OSI may result in the client receiving less favorable execution on some transactions, and that a client may be able to obtain better execution of securities transactions through other broker-dealers. If OAM determines that OSI is unable to obtain the most favorable execution, OAM may use a different broker-dealer to execute the transaction, although OAM may have an incentive not to use outside broker/dealers, as OAM bears the costs associated with the use of such entities to execute trades for a Premier Account. The fee schedule under the Premier Account covers the costs of brokerage and other transaction fees for securities transactions that OSI effects. Because of the

single, combined fee for advisory, custodial and brokerage services, the client does not bear brokerage charges on a per trade or per share basis. OAM will only effect transactions of ERISA clients through OSI on an agency basis with prior written approval from the independent fiduciary of that ERISA client in accordance with the terms of Prohibited Transaction Exemption 86-128. An ERISA client may revoke this authority at any time.

OAM may invest a Premier Account in a mutual fund other than a money market fund. If the mutual fund is one of The Oberweis Funds, the value of the assets upon which OAM charges its fees will be reduced by the amount of assets invested in such fund, and, for ERISA accounts, will be further reduced by the amount of any 12b-1 fees that OSI may receive from that fund. Any reduction in OAM's advisory fee may lag one quarter behind OAM's actual receipt of compensation from the fund. If OAM invests a client account in a mutual fund that is not managed by or affiliated to OAM, the account would have to pay the fees assessed by that fund, in addition to any fees that OSI may receive and the normal advisory fee the client will pay to OAM.

Client Communication Services

Clients will receive transaction confirmations and monthly account statements from the Custodian. In addition, quarterly, OAM will provide each client with an account statement indicating securities purchases and sales; interest, dividends and other earnings; additions to and withdrawals from the account; fees and other charges; beginning and ending account value; and investment performance. The quarterly report includes a variety of measures of account activity and performance for the most recent quarter, the current year, and the life of the account. Items contained in the performance report include performance relative to one or more benchmarks and asset allocation statistics.

Clients should compare the account statements they receive from the Custodian with those they receive from OAM.

Each quarterly report will remind each client to inform OAM regarding any material change in the client's financial situation, investment objectives, goals or restrictions. In the absence of a response from a client to such a reminder, OAM will assume that there has been no material change in the client's circumstances.

Fees

Premier Account services are offered to the client for a comprehensive asset-based fee, which covers all investment advisory, execution, performance monitoring and client communication services rendered by OAM and OSI. The comprehensive fee does not cover certain costs or charges associated with securities transactions, including dealer mark-ups, mark-downs or "spreads" in transactions in which a broker-dealer (other than OSI) acts as principal for its own account, odd-lot differentials, or transfer taxes mandated by law. In addition, clients will be charged a set fee of \$20 for each trade executed on behalf of the account.

Client funds in a Premier Account may be held in cash or cash equivalents. OSI may receive a credit directly from the custodian of the account based upon the amount of interest that is generated from the cash held in the account.



As a result of the asset-based fee aspect of a Premier Account, OAM may be regarded as having a conflict of interest in that OAM may realize a greater profit on a Premier Account client whose account has a relatively low rate of portfolio turnover compared to others, assuming the same level of asset-based fee. The additional \$20 charge is intended to lessen that conflict of interest by covering the out of pocket costs incurred by OSI and thereby reduce the incentive OAM might have to execute fewer transactions.

The following is the annual comprehensive Premier Program fee schedule:

If the account has a total value of:	Annual rate applied to the equity portion of a Premier Account	Annual rate applied to the fixed income portion of a Premier Account:
\$250,000 to \$500,000	1.75%	0.875%
\$500,000 to \$1,000,000	1.50%	0.75%
\$1,000,000 to \$5,000,000	1.25%	0.625%
More than \$5,000,000	1.00%	0.50%

Fees may be negotiated depending on several factors. Those factors may include, among other things, the size and type of account, the relative complexity of servicing the account, the degree of customization of Premier Account services to the needs of the client. OAM reserves the right to change the above fee schedule and will notify a participant in a Premier Account of any such change.

Fees for Premier Account services are payable quarterly and in advance. The initial fee in respect of assets committed to a Premier Account will be payable in full on the date on which OAM commences management of those assets (“commencement date”), and will be based on the net asset value of those assets on that date. The initial fee will be for the period from the commencement date through the last business day of the calendar quarter in which the commencement date started (or, at OAM’s option, through the last business day of the next full calendar quarter if the commencement date falls within thirty days prior to the beginning of a calendar quarter), and will represent a *pro-rata* portion of the annual fee. Thereafter, OAM’s quarterly fee will be based on the net asset value of the client’s account on the last business day of the previous quarter, and will be payable on the following business day. If additional assets in excess of 20% of the prior period-end value (“New Assets”) are committed by the client during the first two months of any fee-period, OAM may charge the client an additional fee based on the New Assets, pro-rated for the number of days remaining in the fee period. If such an additional fee is charged, the amount shall be payable on the date the New Assets are committed. Unless the client specifically provides otherwise, OAM will deduct any and all fees when due from the assets held in the client’s account at the Custodian. In certain cases, OAM and the client may agree to other billing arrangements.

Premier Account clients may withdraw cash and securities upon notice to OAM. Depending on a client’s specific withdrawal instructions, OAM may require varying amounts of time to implement those instructions. OAM, however, will implement the client’s withdrawal instructions as promptly as practicable under the circumstances.



If the Client Agreement is terminated, OAM will make an appropriate pro-rata refund to the client of fees paid to OAM pursuant to the Client Agreement for the period after the date of effectiveness of such termination, cessation or revocation and cancellation, as the case may be, through the end of the then current billing period. Unless OAM agrees otherwise, no fee adjustments or refunds will be made in respect of any period for (a) appreciation or depreciation in asset value during that period or (b) any partial withdrawal of assets from the client's account during that period.

In determining whether to participate or to continue to participate in a Premier Account, a client should be aware that (1) the overall cost to the client of a Premier Account may be higher or lower than the client might otherwise experience by purchasing separately the types of services offered under a Premier Account from OAM and/or other parties (e.g., depending on the portfolio turnover rate and standard advisory fees, the overall cost to the client of a Premier Account may be higher or lower than the client might otherwise experience by paying the manager's standard fees and negotiating transaction charges with OAM or a broker-dealer that are payable on a per-transaction basis); and (2) other broker-dealers and investment advisers offer "wrap fee" arrangements, some of which may be more or less costly than a Premier Account.

Financial consultants of OSI, who also may be representatives of OAM, are responsible for seeking new Premier Account clients, establishing new Premier Accounts, monitoring Premier Account activity and reporting to Premier Account clients. Those financial consultants receive compensation for their services. The overall asset-based fee paid by a client to OAM includes the compensation that OAM pays to OSI to compensate OSI financial consultants. The amount of this compensation may be more or less than what the OSI financial consultant would receive if the client participated in other OAM programs or paid separately for investment advice, brokerage and other services, depending on factors such as portfolio turnover rate. Accordingly, the OSI financial consultant may have a financial incentive to recommend a Premier Account over other OAM programs or services.

OAM performs, among other things, research, brokerage and investment advisory or management services for other clients (including other clients participating in a Premier Account), and earns transactional compensation, investment advisory or management fees and other consideration for such activities. In addition, because of the varying objectives and restrictions, OAM generally manages a Premier account in a different manner than it manages its other advisory accounts. Specifically, most Premier accounts are managed in more concentrated versions of the strategies utilized for other accounts. Accordingly, Premier Accounts investing in a similar strategy that OAM offers to institutional accounts¹, is likely not to own certain securities held by an institutional account and will experience different performance from other advisory accounts.

¹ OAM considers an account with over \$5 million in assets to be an institutional account, and an account (including Premier Accounts) with under \$5 million in assets to be another advisory account.



OAM may from time to time acquire material non-public or other information about corporations or other entities or their securities. OAM may not be obligated or permitted to divulge any such information to or for the benefit of Premier Account clients, or otherwise act in any manner on the basis of any such information in providing services to a Premier Account client.

To the extent permitted by applicable law, OAM may effect “agency cross” transactions in which OSI acts as agent for both the buyer(s) and seller(s) in the transaction. In addition, neither OAM nor OSI expect to effect transactions with Premier Account clients on a principal basis, even though the price at which they would otherwise transact with the client may be more favorable to the client than otherwise available. Should OAM or OSI transact with a client on a principal basis, OAM will make the required disclosures and consents.

OAM recommends that each client consult with his or her accountant or tax advisor regarding the tax treatment of participation in the Premier Account. In this regard, clients should be aware that payment of an asset-based fee may or may not produce accounting, bookkeeping and/or income tax results different from those resulting from the payment of securities transaction commissions or other charges on a transaction-by-transaction basis.

Account Requirements and Types of Clients

OAM offers Premier Accounts to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations.

In order to establish a Premier Account with OAM, the client must fund the Premier Account with at least \$250,000 in cash and/or securities. However, OAM, in its sole discretion, may waive that minimum requirement if circumstances warrant. Maintenance of the initial funding minimum is not required during the life of a Premier Account.

Portfolio Manager Selection and Evaluation

Advisory Business

As stated above, OAM is the sole portfolio manager available for a Premier Account.

OAM is an independent investment management firm that invests in high growth companies from around the world. The firm specializes in small and mid-capitalization global growth stock strategies globally for institutional and high net worth advisory accounts including its own no-load mutual fund family.

OAM's practice is to develop account objectives and policies at the beginning of the account relationship. OAM is responsible for managing accounts to meet client objectives and for assisting clients in the revision of their objectives should their financial position, investment requirements or goals change.

As described above, because of the varying objectives and client imposed restrictions, it is unlikely that OAM will be able to invest a Premier Account in an identical fashion as an institutional account. In addition, OAM generally manages Premier Account clients in a



different manner than it manages its institutional account clients. Specifically, most Premier Account clients are managed in more concentrated versions of the strategies utilized for institutional accounts. Accordingly, a Premier Account investing in a similar strategy as an institutional account is unlikely to own certain securities held by an institutional account and will experience different performance.

Performance Fees and Side-By-Side Management

Although it does not do so at the current time for any Premier Accounts, OAM may charge a performance-based fee, which would be assessed at a base rate on assets under management, plus a percentage of the excess performance compared to the index best fit for the investment strategy or based on the net profits of the account for the calendar year. This could provide an incentive to favor these types of accounts. However, OAM believes this conflict of interest would be mitigated by the fact that OAM has adopted brokerage and trade allocation policies and procedures.

Methods of Analysis, Investment Strategies, and Risk of Loss

OAM is an active investment manager that searches for what it believes are superior fundamentals, growth, and valuation characteristics in small- to mid-capitalization equities globally. OAM employs a bottom-up, fundamentals-oriented approach across all of the firm's strategies.

Most Premier Accounts are managed in a more concentrated version of the strategies described below or may consist of a combination of strategies for diversification purposes.

For Premier clients seeking less risk and volatility or income, OAM will invest in investment grade fixed income securities that offer competitive rates. These securities may include corporate bonds and notes, municipal bonds and notes, US government and agency securities, and certificates of deposit.

Micro-Cap Growth and Small-Cap Growth Strategies

The Micro-Cap and Small-Cap Growth strategies utilize the Oberweis Octagon process to identify and invest in companies with *absolute* high growth potential. The Micro-Cap and Small-Cap Growth strategies employ a similar investment process, but differ with respect to the target market capitalization of the companies in which each invests. The Small-Cap Growth strategy generally invests in companies with market capitalizations under \$1.25 billion at the time of purchase. The Micro-Cap Growth strategy generally invests in companies with market capitalizations under \$300 million at the time of purchase.

Both the Micro-Cap and Small-Cap Growth strategies seek to invest in equity securities that the team believes to have above-average growth potential, based on the analysis of eight factors, which we call the "Oberweis Octagon." No one factor will justify, and any one factor may preclude, an investment in a particular company.

The eight factors of the Oberweis Octagon are:

- **Rapid Revenue Growth** - We typically look for rapid and consistent growth in revenues of 30% or more. Ideally, growth should be internally generated, rather than as a result of acquisitions.



- **Rapid Earnings Growth** - Sales or revenue growth must also produce profit growth. We look for similar consistent rapid growth in pre-tax income and earnings per share - typically a minimum of 30% is required.
- **Low Relative Price/Earnings Ratios** - Generally, we look for companies that are selling at price/earnings ratios of less than 50% of their growth rate based on estimated earnings over the next 12 months.
- **Substantial Future Growth Potential** - We focus on companies with products or services that offer the opportunity for substantial future growth.
- **Early Stages of Earnings Acceleration** - We identify companies that are in the early stages of earnings acceleration - where the price may rise not only as a result of rapidly growing earnings, but also because of price/earnings multiple expansion.
- **Low Price to Sales Ratios** - We look at what we believe the whole company might sell for in relation to the company's sales and compare that to its price/sales ratio.
- **High Quality of Earnings** - We carefully review a company's financial statements, paying particular attention to footnotes, in an attempt to identify unusual items that may indicate future problems. We also pay particular attention to the quality (i.e. conservatism) of a company's reported earnings and future earnings guidance.
- **High Relative Strength** - We don't try to "fight City Hall." We typically buy stocks that are outperforming their peers over the trailing twelve months.

Small-Cap Opportunities Strategy

The Small-Cap Opportunities strategy focuses on *relative* growth potential – a company's growth potential relative to investor expectations and anticipated upward revisions to analyst earnings estimates. The Small-Cap Opportunities strategy generally invests in companies with market capitalizations under \$5 billion at the time of purchase. This strategy seeks to invest in equity securities that the team believes to have above-average *relative* growth potential, based on the analysis of the following eight factors:

- Proprietary and favorable earnings estimates relative to market expectations
- Anticipated upward revisions of consensus earnings expectations
- Favorable valuation relative to proprietary view of EPS potential and competitors
- Sustainability of strong business fundamentals
- Strong competitive position
- High quality financials
- Purchase around earnings catalysts to avoid value traps
- Favorable diversification impact on overall portfolio

No one factor will justify, and any one factor may preclude, an investment in a particular company.



Concentrated Small-Cap Growth Strategy

The Concentrated Small-Cap Growth strategy is designed to capture and highlight our domestic investment team's stock selection process over a full-market cycle by investing in the 25 - 35 highest conviction ideas from our three domestic smaller-cap growth strategies. This strategy is designed to help investors capitalize on what we believe is the exceptional growth potential of fast-growing emerging companies in the rapid expansion phase of their lifecycle. The Concentrated Small-Cap Growth strategy generally invests in companies with market capitalizations between \$100 million and \$2.5 billion at the time of purchase.

International Opportunities Strategy

The International Opportunities strategy invests in securities of companies based outside the United States. Currently, securities based outside the United States include (1) equity securities of companies that are organized under other than U.S. law or that are primarily traded on an exchange or over-the-counter outside of the United States; or (2) equity securities of companies that have at least 50% of their assets outside of the United States or that derive at least 50% of their revenues from business activities outside of the United States.

The team seeks to uncover ideas for this strategy from a wide range of sources including: screening and internal analysis, observing and understanding regional country trends, independent and street research, company meetings and interviews.

This strategy seeks to invest in equity securities that the team believes to demonstrate the following eight characteristics:

- Proprietary and favorable earnings estimates relative to market expectations
- Anticipated upward revisions of consensus earnings expectations
- Favorable valuation relative to proprietary view of EPS potential and competitors
- Sustainability of strong business fundamentals
- Strong competitive position
- High quality financials
- Purchase around earnings catalysts to avoid value traps
- Favorable diversification impact on overall portfolio

No one factor will justify, and any one factor may preclude, an investment in a particular company.

China Opportunities Strategy

The China Opportunities strategy invests in 1) equity securities of companies that are organized under the laws of The People's Republic of China, Hong Kong or Taiwan or that are primarily traded on an exchange or over-the-counter in The People's Republic of China, Hong Kong or Taiwan; or 2) equity securities of companies that have at least 50% of their assets in The People's Republic of China, Hong Kong or Taiwan or that derive at least 50% of their revenues from business activities in The People's Republic of China, Hong Kong or Taiwan but which are listed and traded elsewhere.



The team seeks to uncover ideas for this strategy from a wide range of sources including: screening and internal analysis, observing and understanding regional country trends, independent and street research, screening and internal analysis.

OAM evaluates each individual security's future growth prospects based on, among other things, the Company's financial statement analysis, stock valuation in relation to OAM's estimate of future earnings, evaluation of competitive product or service offerings, future research and development pipeline and management interviews. Many of these companies may also meet certain of the Oberweis Octagon investment criteria described above.

Asia Opportunities Strategy

The Asia Opportunities strategy seeks to invest primarily in (1) equity securities of companies that are organized under the laws of a country located in Asia or that are primarily traded on an exchange or over-the-counter in Asia; or (2) equity securities of companies that have at least 50% of their assets in Asia or that derive at least 50% of their revenues from business activities in Asia but which are listed and traded elsewhere.

The team seeks to uncover ideas for this strategy from a wide range of sources including: screening and internal analysis, observing and understanding regional country trends, independent and street research, screening and internal analysis.

OAM evaluates each individual security's future growth prospects based on, among other things, the Company's financial statement analysis, stock valuation in relation to OAM's estimate of future earnings, evaluation of competitive product or service offerings, future research and development pipeline and management interviews. Many of these companies may also meet certain of the Oberweis Octagon investment criteria described above.

Focused Global Small-Cap Strategy

The Focused Global Small-Cap strategy is designed to capture and highlight our domestic and international investment team's stock selection process over a full market cycle by investing in the highest conviction ideas from our domestic and international strategies. This strategy helps investors capitalize on what we believe is the exceptional growth potential of fast-growing emerging companies in the rapid expansion phase of their lifecycle.

Investing in securities involves risk of loss that clients should be prepared to bear.

Common stock risk—Because all of OAM's strategies invest substantially in common stocks, the value of the stocks held might increase or decrease in response to the activities of an individual company or in response to general market and/or economic conditions. Investment in common stocks, particularly in common stocks of small- and medium-size companies with high growth potential, can be volatile. Because of this volatility, any investment should be long-term only. Dividends are expected to be minimal and there can be no assurance that a client's objective will be met.

Short sale risk—For certain select institutional client accounts, OAM may sell short a security. A short sale involves the sale of a security that the client does not own in the hope of



purchasing the same security at a later date at a lower price. To initiate a short position, a security must be borrowed. Short sales may incur losses if the price of the security sold short increases in value between the date of the short sale and the date when OAM purchases the security to replace the borrowed security. Because there is no limit as to how high the price of the security can climb, the risk from short selling potentially is limitless. There are additional risks associated with shorting securities, including the cost of the premium or interest the client account must pay to the lender of the security.

Small-sized company risk—Accounts invested in certain strategies are subject to small company risk, which is intensified for the Micro-Cap strategy. Although certain strategies seek to reduce risk by investing in a diversified portfolio, investing in smaller, and often newer, companies involves greater risk than investing in larger, more established companies. Smaller and newer companies often have limited product lines, markets, management personnel, research and/or financial resources. The securities of small companies, which may be thinly capitalized, may not be as marketable as those of larger companies. Therefore the securities of these smaller, newer companies may be subject to more abrupt or erratic market movements than the securities of larger companies or the market averages in general.

Risks associated with non-U.S. companies—Investments in securities of non-U.S. issuers involve certain additional investment risks different from those of U.S. issuers. These risks include: possibility of political or economic instability within a particular country, possibility of disruption to international trade patterns, possibility of currency risk, possibility of currency exchange controls, imposition of foreign withholding taxes, seizure or nationalization of foreign deposits or assets, and adoption of adverse foreign government trade restrictions. In addition, there is a possibility of expropriation, nationalization, confiscatory taxation or diplomatic developments that could affect investments within a country. There may be less publicly available information about a non-U.S. company than about a U.S. company. Sometimes non-U.S. companies are subject to different accounting, auditing, and financial reporting standards, practices, and requirements than U.S. companies. There is generally less government regulation of non U.S. stock exchanges, brokers and listed companies abroad, which may result in less transparency with respect to a company's operations. The absence of negotiated brokerage in certain countries may result in higher brokerage fees.

Emerging market risks—Political and economic structures in emerging markets countries may be new and developing rapidly, which may cause instability. Emerging markets countries are also more likely to experience high levels of inflation, deflation or currency devaluations, which could hurt their economies and securities markets.

Government relationships risk (international strategies)—While companies in Asia may be subject to limitations on their business relationships under applicable law, these laws may not be consistent with certain political and security concerns of the U.S. As a result, Asian companies may have material direct or indirect business relationships with governments that are considered state sponsors of terrorism by the U.S. government, or governments that otherwise have policies in conflict with the U.S. government (an "Adverse Government"). If an International Strategy invests in companies that have or develop a material business relationship



with an Adverse Government, then that International Strategy will be subject to the risk that these companies' reputation and price in the market will be adversely affected.

Geographic concentration in China (China Opportunities Strategy and investments by International Opportunities, Asia Opportunities, and Focused Global Small-Cap Strategies in China)—The Chinese economy is generally considered an emerging and volatile market. A small number of companies represent a large portion of the China market as a whole, and prices for securities of these companies may be very sensitive to adverse political, economic, or regulatory developments in China and other Asian countries, and may experience significant losses in such conditions. Actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China. Activities, such as central planning, partial state ownership of or government actions designed to substantially influence certain Chinese industries, market sectors or particular Chinese companies, may adversely affect the public and private sector companies. Government actions may also affect the market prices and liquidity of Chinese securities and the payments of dividends and interest by Chinese companies. In addition, currency fluctuations, monetary policies, competition, social instability or political unrest may adversely affect economic growth in China. The Chinese economy and Chinese companies may also be adversely affected by regional security threats, as well as adverse developments in Chinese trade policies, or in trade policies toward China by other countries.

Conditions may warrant frequent trading within a specific investment strategy. Frequent trading of securities can affect investment performance through increased brokerage and other transaction costs including taxes.

Risks Attributable to Investing in Fixed Income Securities

Investing in fixed income securities including certificates of deposit — Rising interest rates will generally cause the prices of fixed income securities to fall. Longer maturity fixed income securities may be subject to greater price fluctuations than shorter maturity fixed income securities. Fixed income securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. For certificates of deposit, FDIC insurance only covers the principal amount of the CD and any accrued interest. FDIC insurance limits apply to aggregate amounts on deposit at each financial institution. Investors should consider the extent to which other accounts, deposits or accrued interest may exceed applicable FDIC limits.

Conditions may warrant frequent trading within a specific investment strategy. Frequent trading of securities can affect investment performance through increased brokerage and other transaction costs including taxes.

Voting Client Proxies

OAM's proxy voting authority is established in the client contract between OAM and a client. OAM exercises voting authority with respect to the securities for The Oberweis Funds and for certain institutional accounts. As a general matter, OAM does not exercise voting



authority for Premier Accounts. Under the limited circumstances where it does so, the below description of OAM's policies and procedures applies.

OAM votes proxies according to OAM's Proxy Voting Policies and Procedures. OAM's Proxy Voting Policies and Procedures set forth the general principles used to determine how OAM vote proxies on securities in client accounts for which OAM has proxy voting authority. OAM's general policy is to vote proxies in the best interests of clients. In pursuing this policy, OAM votes in a manner that is intended to maximize the value of client assets. Because OAM generally makes investments in companies in which OAM has confidence in management, proxies generally are voted in favor of management's recommendation.

OAM has retained RiskMetrics Group, a proxy voting and consulting firm, to receive proxy voting statements, provide information and research, make proxy vote recommendations, and handle various administrative functions associated with the voting of proxies.

OAM's Proxy Voting Policies and Procedures describe how OAM usually votes proxies on various matters, such as proposals on corporate governance, changes to capital structure and routine matters including the election of directors and ratification of the appointment of independent auditors. OAM's Proxy Voting Policies and Procedures provide that proxies with respect to foreign companies may not be voted if the costs to the client of voting the shares outweigh the benefits, when OAM is not given enough time to process the vote, when a sell order for the foreign security is outstanding and the proxy would impede the sale of the foreign security, or, in certain cases, where the company is in a country which prohibits shareholders who vote proxies from trading the company's shares within a given period of time around the shareholder meeting date ("share blocking"). If the application of the voting guidelines is unclear, the matter is not covered by the voting guidelines or the voting guidelines call for case-by-case review, OAM's Proxy Committee will formulate a recommendation on the matter in accordance with OAM's goal of maximizing client assets.

OAM's Proxy Voting Policies and Procedures describe how OAM addresses conflicts of interest between OAM and its clients. To resolve conflicts, OAM (1) obtains client consent (and in the case of the OAM Funds, the consent of the Board of Trustees of The Oberweis Funds) before voting in accordance with the voting guidelines or the recommendation of the Proxy Committee, (2) refers the matter to a third party proxy voting service or (3) the Proxy Committee will prepare a report documenting the conflict, the procedures used to address the conflict, any contacts from outside parties regarding the proposal and the reason for the recommendation.

OAM's Proxy Voting Policies and Procedures are available to clients upon request. A client may obtain information on how OAM voted with respect to that client's securities upon request.

Client Information Provided to Portfolio Managers

As OAM is the sole portfolio manager of the Premier Account Program, this item is inapplicable.



Client Contact with Portfolio Managers

As OAM is the sole portfolio manager of the Premier Account Program, this item is inapplicable.

Additional Information

Disciplinary Information

OAM has not been the subject of any criminal action or disciplinary action by the SEC or any other regulatory organization.

Other Financial Industry Activities and Affiliations

OSI is a registered broker/dealer and member of the Financial Industry Regulatory Authority (FINRA) and is under common control with OAM. OSI is an introducing broker that charges its broker/dealer clients commissions and that has an arrangement with an unaffiliated broker-dealer to clear all of OSI's trading.

James W. Oberweis, David I. Covas, and Patrick B. Joyce are shareholders, employees and registered representatives of OSI. OSI and its shareholders will receive, and those individual registered representatives that are actively engaged in sales activities may receive, transaction-related compensation for transactions executed by OSI for other retail advisory clients. This arrangement may be considered to provide an incentive to cause a larger number of transactions to be executed through OSI than would otherwise be the case for these clients and to cause transactions to be executed through OSI that might be more favorably executed through another broker.

Oberweis Publishing, LLC, an affiliate of OAM, publishes and distributes The Oberweis Report, a monthly investment advisory letter that comments on the market, the economy and individual stocks. Certain of OAM's employees may assist Oberweis Publishing in publishing this newsletter. In addition, OAM may provide its advisory clients with a copy of The Oberweis Report.

Oberweis Asset Management (Asia) Limited ("OAM (Asia) Limited") is a company based in Hong Kong, of which OAM is the sole shareholder. James W. Oberweis, Patrick B. Joyce, and John Wong are Directors of OAM (Asia) Limited. OAM (Asia) Limited is an investment advisor registered with the SEC and licensed by the Securities and Futures Commission to conduct asset management activities and currently has a services agreement with OAM to provide research and investment sub advisory services to clients of OAM, including the China Opportunities Fund, which is part of The Oberweis Funds, a U.S. registered open-end management investment company.

OAM provides investment advisory services to The Oberweis Funds, a U.S. registered open-end management Investment Company. James W. Oberweis, David I. Covas, Kenneth S. Farsalas and Patrick B. Joyce are all Officers of The Oberweis Funds.



Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

OAM, its directors, officers, employees, portfolio managers or other affiliates, may purchase for itself or themselves certain securities that are recommended to clients. OAM has a written code of ethics which governs the personal securities transactions of its officers, employees and directors. The code provides, among other things, that such persons may not take personal advantage of any information that they may have concerning OAM's current investment program. The code also requires pre-approval of a personal transaction in a security by a person subject to the code and prohibits all persons subject to the code from purchasing any equity security of an issuer with a market capitalization of less than \$5 billion. In addition, the code prevents personal securities transactions in a security on the same day which a buy or sell order is pending for a client or within seven calendar days before or after a trade is executed for a client in the same security. OAM's proprietary accounts are not subject to the code's general pre-approval requirements or to the prohibitions in the code. In addition, reports of personal securities transactions are required to be filed with OAM's compliance department and are reviewed for compliance with OAM's policies. Further, the code prohibits the acceptance of gifts or favors of more than a de minimis amount from companies that do business with OAM. A copy of the code of ethics will be furnished to a client upon request.

Review of Accounts

Premier Accounts are reviewed internally by OAM on at least a weekly basis and a reporting package containing account information will be furnished at least quarterly to clients. In addition, Premier Accounts are generally reviewed informally by the financial consultant assigned to the account on a daily basis. Complex cases may also be reviewed with the client by James W. Oberweis on an as-needed basis.

Client Referrals and Other Compensation

Under certain circumstances, OAM may pay its employees, independent professionals or registered representatives of OSI for client referrals of advisory accounts, including Premier Accounts. In addition, from time to time, OAM may sponsor a charitable or business dinner at the request of a client or prospective client. Any such fees or costs are paid by OAM and do not result in a fee increase to OAM's advisory clients and are fully disclosed.

OSI has an arrangement with OAM to receive brokerage commissions for executing trades for other retail advisory clients. In addition, if OSI's clearing broker acts as custodian for an account, OSI may receive a credit from the custodian that is determined based upon the amount of interest that is generated by excess cash in the account.

In addition, OAM and OSI have entered into an agreement with an unaffiliated third-party to perform certain marketing and wholesaling activities for OAM and OSI with respect to The Oberweis Funds. OAM pays that firm a fee based on the success of its wholesaling efforts.

Financial Information

OAM is not required to disclose any financial information for the most recent fiscal year because it does not require prepayment of client fees six or more months in advance. In addition, OAM is not subject to any financial condition that would likely impair its ability to meet its contractual commitments to its clients.

