



# **Oberweis**

## **Asset Management (Asia) Limited**

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**This brochure provides information about the qualifications and business practices of Oberweis Asset Management (Asia) Limited. If you have any questions about the contents of this brochure, please contact us at (630) 577-2300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment advisor does not imply a certain level of skill or training.**

**Additional information about Oberweis Asset Management (Asia) Limited, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Material Changes**

There have been no material changes to this disclosure document since the last annual update.



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## **Advisory Business**

### ***The Company***

Oberweis Asset Management (Asia) Limited ("OAMA") is located in Hong Kong, and is wholly-owned by Oberweis Asset Management, Inc. ("Oberweis"), a registered U.S. investment adviser. OAMA was established in 2008 and engages in research on Asian-based companies, and currently serves as investment sub-adviser for clients of Oberweis, including the China Opportunities Fund, a series of The Oberweis Funds, a U.S. registered management investment company.

OAMA is also licensed by the Hong Kong Securities and Futures Commission to conduct asset management activities.

### ***Oberweis Culture***

OAMA 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. OAMA professionals are focused on identifying undervalued smaller-capitalization companies around the world with earnings power that OAMA believes are significantly higher than market expectations.

The investment team is led by John Wong. 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 OAMA 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. OAMA portfolios are managed by small autonomous teams of professionals who are compensated for success and isolated from bureaucracy.

### ***Our Services***

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

OAMA generally seeks to have all of its clients investing in the same strategy to hold the same securities in their accounts, with each account's holdings of such securities equally weighted. However, OAMA may invest in different securities for similarly-situated accounts due to a variety of factors, including risk tolerance, tax situation, cash availability, client imposed restrictions and other factors.



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OAMA does not provide investment advisory services for any clients other than The Oberweis Funds at the current time, but may provide such services to other clients of Oberweis, or its own clients, in the near future.

As of December 31, 2011 total assets under management were \$120,000,000, for all of which OAMA has discretionary authority.

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## **Fees and Compensation**

OAMA and Oberweis have entered into an Inter-Company Services Agreement where OAMA receives fees equal to its cost for providing services on behalf of Oberweis' clients, plus an additional 5%. This fee is paid by Oberweis, and not by Oberweis' clients.

OAMA does not execute client transactions. All trades on behalf of OAMA's clients are executed by Oberweis. Oberweis does not utilize Oberweis Securities, Inc. ("OSI"), an affiliated broker dealer, to execute orders for its clients unless directed to do so. James W. Oberweis 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 an Oberweis advisory account. This arrangement may be considered to provide an incentive to cause a larger number of transactions to be executed through OSI that might be more favorably executed through another broker.

All advisory accounts will incur brokerage and other transaction costs related to the purchase and sale of securities. See Brokerage Practices for a discussion of brokerage and trade execution practices.

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## **Performance Fees and Side-By-Side Management**

Although it does not do so at this time, OAMA may charge a performance-based fee, which is generally 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 net profits of the account for the calendar year. This may provide an incentive to favor these types of accounts. However, OAMA believes this conflict of interest is mitigated by the fact that, as described above, OAMA seeks to manage accounts within an investment strategy in a similar fashion. In addition, OAMA does not execute client transactions. All trades on behalf of OAMA's clients are executed through its parent, Oberweis, which has adopted brokerage and trade allocation policies and procedures as described below.



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## **Types of Clients**

OAMA serves as investment sub-adviser to The Oberweis Funds, an open-end management investment company (mutual fund). In addition, OAMA may provide investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations.

OAMA generally has a minimum account size of \$5 million for clients. However, in its sole discretion, OAMA may waive the minimum requirement.

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## **Methods of Analysis, Investment Strategies, and Risk of Loss**

OAMA 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. OAMA employs a bottom-up, fundamentals-oriented approach across all of the firm's strategies.

### ***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 seek 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.

OAMA evaluates each individual security's future growth prospects based on, among other things, the Company's financial statement analysis, stock valuation in relation to OAMA'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 below.

### ***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.

OAMA evaluates each individual security's future growth prospects based on, among other things, the Company's financial statement analysis, stock valuation in relation to OAMA'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 below.

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.



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

***Principal Risks Attributable to Investing***

Investment returns may vary and could lose value. Because OAMA invests 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. Dividends are expected to be minimal and there can be no assurance that an investment objective will be met.

**Small-sized Company Risk**— OAMA generally invests in the stocks of small to mid-size companies. Although OAMA seeks 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.

***Additional Risks Attributable to Investing in International Securities***

**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**—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** —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, which, while not a primary strategy, can affect investment performance through increased brokerage and other transaction costs including taxes.

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### **Disciplinary Information**

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

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### **Other Financial Industry Activities and Affiliations**

OAMA is wholly-owned by Oberweis. Oberweis is an independent investment management firm that invests in the equity securities of high growth companies from around the world and specializes in small and mid-capitalization global growth stocks for advisory accounts, including its own no-load mutual fund family.



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OSI is a registered broker/dealer and member of the Financial Industry Regulatory Authority (FINRA) and is under common control with Oberweis. 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.

As discussed above, OAMA does not utilize OSI to execute orders for advisory clients unless directed to do so by such clients. James W. Oberweis and Patrick B. Joyce are shareholders, employees and registered representatives of OSI. To the extent transactions for the account of an OAMA client are executed through OSI, OSI and its shareholders will receive, and an individual registered representative may receive, compensation in addition to the advisory fees paid by the client to OAMA. 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 and to cause transactions to be executed through OSI that might be more favorably executed through another broker.

OAMA provides investment sub-advisory services to The Oberweis Funds, a U.S. registered open-end management Investment Company. James W. Oberweis and Patrick B. Joyce are Officers of The Oberweis Funds.

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

OAMA, its directors, officers, employees, portfolio managers or other affiliates, may purchase for itself or themselves certain securities that are recommended to clients. OAMA has a written code of ethics that 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 OAMA'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. OAMA'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 OAMA's compliance department and are reviewed for compliance with OAMA'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 OAMA. A copy of the code of ethics will be furnished to a client upon request.

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### **Brokerage Practices**

OAMA does not execute client transactions. All trades on behalf of OAMA's clients are executed through its parent, Oberweis.



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## **Review of Accounts**

The portfolios of clients are reviewed internally by the portfolio manager responsible for the day-to-day management of the account on at least a weekly basis and are reviewed with our clients on a quarterly basis. These account reviews focus on the asset mix and the appropriateness of holdings with respect to (i) account objectives and (ii) their consistency with the applicant's investment and control policies. Beyond the formal review, portfolio managers undertake continuous reviews of each account to ensure that holdings, investment return and risk levels meet client objectives. James W. Oberweis has general oversight and strategic responsibility for portfolio management decisions, and therefore, is indirectly responsible for the management and review of client's accounts.

OAMA recommends quarterly account reviews to clients. Investment objectives, portfolio holdings, portfolio transactions and rates of return are among topics covered at these reviews. Beyond meetings, client reports are sent by Oberweis, which include quarterly statements of portfolio holdings, narrative discussions and statistical analysis of investment performance. In addition, clients are provided daily confirmations and a monthly statement of holdings and account activity from their broker or custodian.

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## **Client Referrals and Other Compensation**

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

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## **Custody**

Institutional accounts maintain separate relationships with independent broker-dealers or banks to custody their assets. Institutional clients receive statements directly from their custodian in addition to quarterly account statements from Oberweis.

Clients should compare the account statements they receive from their custodian with those they receive from Oberweis.

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## **Investment Discretion**

OAMA accepts advisory accounts only on a discretionary basis. OAMA normally will have authority to supervise and direct the investments of and for a client's account without prior consultation with the client. Pursuant to this discretionary authority, OAMA will normally determine which securities are bought and sold for the account, and the total amount of such purchases and sales. OAMA's authority may be subject to



conditions imposed by the client, e.g., where the client restricts or prohibits transactions in certain types of securities.

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### **Voting Client Securities**

OAMA does not exercise proxy voting authority and has delegated such authority to Oberweis.

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### **Financial Information**

OAMA 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, OAMA is not subject to any financial condition that would likely impair its ability to meet its contractual commitments to its clients.

