



# **Oberweis**

**Asset Management (Hong Kong) Limited**

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**This brochure provides information about the qualifications and business practices of Oberweis Asset Management (Hong Kong) Limited. If you have any questions about the contents of this brochure, please contact us at (630) 577-2300 or [joyce@oberweis.net](mailto:joyce@oberweis.net). 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 (Hong Kong) Limited also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Material Changes

This is the initial filing of Form ADV Part 2 for Oberweis Asset Management (Hong Kong) Limited.

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## **Advisory Business**

### ***The Company***

Oberweis Asset Management (Hong Kong) Limited ("OAMHK") is located in Hong Kong, and is wholly-owned by Oberweis Asset Management, Inc. ("Oberweis"), a registered U.S. investment adviser. OAMHK was established in 2018 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 investment company.

OAMHK will be licensed by the Hong Kong Securities and Futures Commission to conduct asset management activities.

### ***Oberweis Culture***

OAMHK is a bottom-up, active manager that searches for what we believe are superior fundamental, growth, and valuation characteristics primarily in small and mid-capitalization equities globally.

The investment team is led by Barry Wang. Teams are responsible for certain geographic areas. Teams employ disciplined and repeatable investment processes that focus on situations in which our proprietary analysis varies positively and materially from the expectations of other investors.

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

### ***Our People***

OAMHK is wholly-owned by Oberweis. 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 professionals are also equity owners.

### ***Our Services***

OAMHK offers discretionary asset management services of equity securities in the Greater China region.

As of March 31, 2018 total assets under management were \$116,587,225, for all of which OAMHK has discretionary authority.

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## **Fees and Compensation**

### ***Fees***

OAMHK and Oberweis have entered into an Inter-Company Services Agreement where OAMHK 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.

OAMHK does not execute client transactions. All trades on behalf of OAMHK'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. Clients who do direct their trades through OSI will be responsible for reimbursing OSI for costs incurred by Oberweis or OSI with respect to the account, including but not limited to, the fees charged by National Financial Services Corporation in connection with the clearing of trades executed by OSI and for the delivery of statements and trade confirmations (generally, equivalent to \$7.95 per equity trade and \$6.95 per bond trade). Oberweis will share a portion of its fees with OSI as compensation for OSI's services, and shareholders of OSI include certain of the principals of Oberweis.

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, OAMHK 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, OMAHK believes this conflict of interest would be mitigated by the fact that, as described above, OAMHK seeks to manage accounts within an investment strategy in a similar fashion. In addition, OMAHK has adopted brokerage and trade allocation policies and procedures as described below.

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## **Types of Clients**

OAMHK serves as investment sub-adviser to The Oberweis China Opportunities Fund, a series of an open-end management investment company (mutual fund). In addition, OAMHK may provide investment management services to individuals, pension and profit sharing plans, trusts, charitable organizations, or corporations.

OAMHK generally has a minimum account size of \$5 million for clients. However, in its sole discretion, OMAHK may waive this minimum requirement if circumstances warrant.

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

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

The strategy seeks to invest in equity securities that typically exhibit the following characteristics:

- **Under-Appreciated Revenue and Earnings Growth** -- potential for revenue and/or earnings growth in excess of consensus expectations.
- **Timely Catalyst** -- a recent positive earnings release or an earnings surprise that tangibly and quantitatively begins to confirm that consensus analyst expectations are too low.
- **Inflection Point of Change** – a business that is experiencing change — often from a new product, a new management team, or a regulatory change — as these changes can drive unexpected or underestimated growth. A significant gap generally exists between Oberweis' forecasts and consensus analyst expectations.
- **Limited Analyst Coverage** – a company not widely followed by other analysts to maximize the chances of finding misunderstood situations.
- **Sustainability** – a sustainable business with a competitive position driven by niche market leadership, intellectual capital, or unique manufacturing processes. Put another way, a reasonable barrier to competitive entry.
- **Operating Leverage** -- profitable and scalable business model, which tends to generate rising net profit margins as revenue growth accelerates.
- **Valuation** -- undervalued based on Oberweis' growth forecasts and historical valuation metrics afforded the company and/or peers.

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

**Common stock risk**—Because OAMHK 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.

**Small-sized company risk**—Accounts invested in certain strategies are subject to small company risk. Although OAMHK 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 non-US companies 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, non-US 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.

**Revenue Enhancing Programs**—OAMHK is not responsible for any costs, losses or expenses incurred by clients as a result of an account's participation in any securities lending program or other revenue enhancing program that the Custodian, or other party selected by client, administers. Clients should be aware that participation in such programs, including the early trade notification requirements of such programs, may restrict OAMHK's ability to obtain the best net price and execution under the circumstances for securities sold.

**Trading Risk** —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.

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## **Disciplinary Information**

OAMHK 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**

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



OSI 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, OAMHK 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. Clients who do direct their trades through OSI will be responsible for reimbursing OSI for costs incurred by Oberweis or OSI with respect to the account, including but not limited to, the fees charged by National Financial Services Corporation in connection with the clearing of trades executed by OSI and for the delivery of statements and trade confirmations (generally, equivalent to \$7.95 per equity trade and \$6.95 per bond trade). Oberweis will share a portion of its fees with OSI as compensation for OSI's services, and shareholders of OSI include certain of the principals of Oberweis.

Oberweis Asset Management (Asia) Limited ("OAMA") is a company based in Hong Kong, of which Oberweis is the sole shareholder. James W. Oberweis and Patrick B. Joyce are Directors of OAMA. OAMA currently has a services agreement with Oberweis to provide investment research services to Oberweis.

Oberweis Asset Management UK Limited ("OAMUK") is a company based in the United Kingdom, of which Oberweis is the sole shareholder. James W. Oberweis and Patrick B. Joyce are Directors of OAMUK. OAMUK currently has a services agreement with Oberweis to provide investment research services to Oberweis

OAMHK 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**

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

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## **Brokerage Practices**

OAMHK does not execute client transactions. All trades on behalf of OAMHK'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 a daily 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, President, has general oversight and strategic responsibility for portfolio management decisions, and therefore, is responsible for the review of all client accounts.

OAMHK 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, Oberweis sends reports to clients that 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, OAMHK will pay its employees, independent professionals or registered representatives of OSI for client referrals of advisory accounts. In addition, from time to time, OAMHK will sponsor a charitable or business dinner at the request of a client or prospective client. Any such fees or costs are paid by OAMHK and do not result in a fee increase to OAMHK's advisory clients and are fully disclosed.

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## **Custody**

It is OAMHK's policy not to accept or hold, directly or indirectly, client funds or securities, or have authority to obtain possession of them.

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## **Investment Discretion**

OAMHK accepts advisory accounts on a discretionary or non-discretionary basis. OAMHK will normally have authority on discretionary accounts to supervise and direct the investments of and

for the client's account without prior consultation with the client. Pursuant to this discretionary authority, OAMHK normally determines which securities are bought and sold for the account, the total amount of such purchases and sales, and the brokers or dealers through which transactions will be executed. OAMHK'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 or directs that transactions be effected through specific brokers or dealers).

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### **Voting Client Securities**

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

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### **Financial Information**

OAMHK has not disclosed any financial information for the most recent fiscal year because it does not require prepayment of fees per client six or more months in advance. In addition, there are no financial conditions that would likely impair OAMHK's ability to meet contractual commitments to its clients.