



# **Oberweis**

## **Asset Management, Inc.**

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**Institutional Investment Advisory Business Brochure**  
**March 29, 2019**

**This brochure provides information about the qualifications and business practices of Oberweis Asset Management, Inc. 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, 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 update  
March 29, 2018



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## **Advisory Business**

### ***The Company***

Oberweis Asset Management, Inc. (“Oberweis”) was established in 1989 and is headquartered in suburban Chicago. Oberweis is an independent investment management firm that was founded to seek market inefficiencies in equities globally. Oberweis offers its strategies to retail clients and institutional investors via separately managed accounts (“SMAs”) and its own proprietary mutual fund family, The Oberweis Funds. Established in 1989, Oberweis is headquartered in suburban Chicago, with additional equity research staff based in New York, London, Hong Kong and Champaign, Illinois.

### ***Oberweis Culture***

Oberweis 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 teams are led by James W. Oberweis. 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 Oberweis 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. 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 professionals are also equity owners. Oberweis’ portfolio managers average 18 years of experience in the industry.

### ***Our Services***

*This brochure describes Oberweis’ institutional client business.*

Oberweis offers its institutional clients the following investment advisory services, each of which focuses on less efficient:

- Micro-Cap Growth
- Small-Cap Opportunities
- International Opportunities
- Global Small-Cap
- China Opportunities



- Concentrated Small-Cap (which is comprised of the team's highest conviction ideas from our two domestic strategies)
- Concentrated Global Small-Cap (which is comprised of the team's highest conviction ideas from all the above strategies)
- Small-Cap Value
- Emerging Markets

A client will choose a strategy or strategies, and then Oberweis and the client will tailor the client's account objectives and policies in light of the selected strategy or strategies.

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

From time to time for select institutional clients, Oberweis will seek to enhance the return of clients' portfolios and/or hedge the portfolio's positions by "shorting" a group or sectors of securities (i.e., by selling a security it does not own with the purpose of purchasing the same securities later at a lower cost).

For certain international strategies, Oberweis may utilize investment research services provided by its wholly-owned affiliates, Oberweis Asset Management (Asia) Limited ("OAMA") and Oberweis Asset Management (Hong Kong) Limited ("OAMHK"), which are located in Hong Kong, and Oberweis Asset Management UK Limited ("OAMUK"), which is located in the United Kingdom.

As of December 31, 2018, Oberweis' total assets under management (both institutional and retail clients) were \$2,806,080,448, of which Oberweis manages \$2,804,442,621 on a discretionary and \$1,637,827 on a non-discretionary basis.

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## **Fees and Compensation**

### ***Fees***

Management fees generally are payable quarterly. Oberweis may invoice clients or deduct management fees directly from client accounts. Depending on the agreement between Oberweis and its clients, management fees may be payable in advance or in arrears, and may or may not be adjusted for contributions of additional assets, withdrawal of a portion of the assets, or termination of the agreement. The investment management agreement between Oberweis and a client may be terminated by either party pursuant to the terms of the agreement, generally with notice of 30 days or less. If a client has prepaid the management fee for a quarter and the agreement is terminated during the quarter, a pro-rata portion of the prepaid management fee will be refunded for the period the account was managed. Depending on the size of the account and the investment style, clients may negotiate fees that vary from the schedules below.



**Oberweis**

Asset Management, Inc.

**Managed Account Fee Schedule By Investment Strategy**  
(Annualized Fee as a Percentage of Assets Managed)

<i><b>Micro-Cap Growth</b></i>	<i><b>Small-Cap Opportunities</b></i>	<i><b>International Opportunities</b></i>
All Assets – 1.00%	First \$25 million - 0.90%	First \$50 million - 1.00%
	Next \$50 million - 0.85%	Next \$50 million - 0.90%
	Next \$75 million - 0.80%	All additional assets - 0.80%
	All additional assets - 0.75%	

<i><b>Global Small-Cap</b></i>	<i><b>China Opportunities</b></i>	<i><b>Concentrated Small-Cap</b></i>
First \$25 million – 1.00%	First \$25 million - 1.25%	All Assets - 1.00%
Next \$50 million - 0.90%	Next \$25 million - 1.00%	
All additional assets - 0.80%	All additional assets - 0.80%	

<i><b>Concentrated Global Small-Cap</b></i>	<i><b>Small-Cap Value</b></i>	<i><b>Emerging Markets</b></i>
All Assets - 1.25%	All Assets – 0.90%	All Assets – 1.25%

***Other Expenses***

All accounts, other than Oberweis' proprietary accounts, will incur brokerage, custodial and other transaction costs related to the purchase and sale of securities. See Brokerage Practices for a discussion of Oberweis' brokerage and trade execution practices.

In addition, from time to time, a client may request that Oberweis invest a portion of its account into an unaffiliated money market fund. Under those circumstances, the account would have to pay the fees assessed by that fund in addition to the normal advisory fees the client will pay to Oberweis.

For purposes of determining the value of the account on which Oberweis' fee is based, Oberweis will value securities in an account based on prices provided by a third party pricing service. If a pricing service cannot price a specific security, Oberweis will value that security in a good faith manner to reflect the security's fair market value based on sources independent of Oberweis.

### ***The Oberweis Funds***

Oberweis provides investment advisory services to The Oberweis Funds (which is comprised of eight funds: Oberweis Micro-Cap Fund, Oberweis Small-Cap Opportunities Fund, Oberweis Global Opportunities Fund\*, Oberweis China Opportunities Fund, Oberweis International Opportunities Fund, Oberweis International Opportunities Institutional Fund, Oberweis Small-Cap Value Fund and Oberweis Emerging Markets Fund). Certain funds offer both Investor Class Shares and Institutional Class Shares and other funds offer solely Investor or Institutional Class Shares. The funds pay a monthly fee based on the average daily net assets at the annual rates shown below. (See The Oberweis Funds current prospectus for more information).

<b><u>Oberweis Fund Name</u></b>	<b><u>Share Class</u></b>	<b><u>Ticker</u></b>	<b><u>Advisory and Management Fees</u></b>
Micro-Cap Fund	Investor	OBM CX	1.00%
	Institutional	OMC IX	1.00%
Small-Cap Opportunities Fund	Investor	OBSOX	0.80%
	Institutional	OBSIX	0.80%
Global Opportunities Fund*	Investor	OBEGX	0.85%*
	Institutional	OBGIX	0.85%
International Opportunities Fund	Investor	OBIOX	1.25%
International Opportunities Institutional Fund	Institutional	OBIIX	1.00%
China Opportunities Fund	Investor	OBCHX	1.25%
	Institutional	OCHIX	1.25%
Small-Cap Value Fund	Investor	OBIVX	1.00%
	Institutional	OBVLX	1.00%
Emerging Markets Fund	Investor	OBEMX	1.25%
	Institutional	OIEMX	1.25%

\* In addition to a 40 basis point management fee, Oberweis provides investment advisory services to the Global Opportunities Fund\* for a monthly fee at the annual rate of 0.45% of the first \$50 million of average daily net assets and 0.40% of average daily net assets in excess of \$50 million.

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

From time to time, Oberweis will charge a performance-based fee to an institutional client, 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, Oberweis believes this conflict of interest would be mitigated by the fact that, as described above, Oberweis seeks to manage accounts within an investment strategy in a similar fashion. In addition,

Oberweis has adopted brokerage and trade allocation policies and procedures as described below.

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## **Types of Clients**

Oberweis provides investment management services to the following types of institutional clients, which include but are not limited to pension and profit sharing plans, trusts, charitable organizations, or corporations. Oberweis also is the investment adviser to The Oberweis Funds, a registered investment company.

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

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

### ***Firmwide Investment Philosophy***

All investment strategies at Oberweis are designed to exploit academically-documented inefficiencies related to the behavioral tendencies and biases of other investors. Our strategies specifically focus on small- and mid-cap stocks globally. Oberweis is an active investment manager that employs a bottom-up, fundamental-research based investment approach.

### ***Micro-Cap Growth and Small-Cap Opportunities Strategies***

The Micro-Cap Growth and Small-Cap Opportunities strategies primarily invest in companies headquartered in the United States. Both strategies seek to invest in equity securities that the team 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 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.

The Micro-Cap Growth and Small-Cap Opportunities strategies employ a similar investment process, but differ primarily with respect to the target market capitalization of the companies in which each invests. The Oberweis Small-Cap Opportunities strategy generally invests in companies with market capitalizations less than or equal to \$5 billion or within the range of companies represented in the Russell 2000 Index, whichever is greater, at the time of purchase. The Micro-Cap Growth strategy generally invests in companies with market capitalizations under \$600 million or within the range of companies represented in the Russell Micro-Cap Growth Index, whichever is greater, at the time of purchase.

#### ***Concentrated Small-Cap Strategy***

The Concentrated Small-Cap strategy generally invests in Oberweis' highest conviction ideas (typically 25-40 securities) from the Micro-Cap Growth and Small-Cap Opportunities strategies. This strategy primarily invests in companies based in the United States with market capitalization under \$5 billion or within the range of companies represented in the Russell 2000 Index, whichever is greater, at the time of purchase. The Concentrated Small-Cap Strategy seeks to invest in equity securities that exhibit the same characteristics discussed for the Micro-Cap Growth and Small-Cap Opportunities strategies above.

#### ***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 foreign jurisdictions 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.

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.

### ***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.



### ***Global Small-Cap Strategy***

The Global Small-Cap strategy is designed to capture and invest in a diversified portfolio of Oberweis' highest conviction ideas, including both U.S. and non-U.S. companies.

The teams 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.

This strategy seeks to invest in equity securities that the team believes to have above-average growth potential *relative* to consensus expectations, based on the analysis of the following 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

### ***Concentrated Global Small-Cap Strategy***

The Concentrated Global Small-Cap strategy is designed to capture and invest in a concentrated portfolio of Oberweis' highest conviction ideas, including both U.S. and non-U.S. companies.

The teams 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.

This strategy seeks to invest in equity securities that the team believes to have above-average growth potential *relative* to consensus expectations, based on the analysis of the following 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



### ***Small-Cap Value Strategy***

The Small-Cap Value strategy seeks to achieve its objective by making intermediate and long-term investments in domestic, publicly-traded equity securities of small capitalization companies. The strategy's investment positions are generally held for 12 to 18 months, although longer or shorter holding periods may occur. The strategy primarily invests in companies based in the United States with market capitalizations of up to \$5 billion or within the range of companies represented in the Russell 2000 Index, whichever is greater, at the time of purchase.

The strategy is guided by a proprietary initial screening system for companies included in the New York Stock Exchange, NASDAQ and AMEX. Oberweis applies a quantitative screen against the domestically traded equities listed on those exchanges, which narrows the investable universe of securities to approximately 300. The quantitative screen considers such factors as the security's price to earnings ratio, price to cash flow ratio, cash flow to earnings ratio, debt to equity ratio, one year price history, dividend yield and dividend history to seek to uncover potentially undervalued securities that Oberweis believes have a reasonable risk profile relative to the benchmark. A secondary, fundamental analysis is applied to further narrow the number of investable securities to allow Oberweis to prioritize its understanding and to seek to limit the risks of the individual securities and portfolio as a whole. A computer-based mathematical program is then used to aid in determining the final composition of securities in the portfolio.

Through the use of these screens, Oberweis attempts to actively monitor both the macro and micro drivers of perceived risk. Accordingly, the management team may adjust individual, industry, sector or other factor-related weights to seek to limit perceived downside risk. Oberweis may, from time to time based on its analysis of market signals for the Small-Cap Value Strategy, liquidate investment positions and hold the proceeds in money market funds, other highly liquid obligations or the iShares Russell 2000 Value Index Fund, an exchange traded fund. The fees paid to Oberweis for investment advisory services are separate and distinct from the expenses charged by this fund. The fund's fees and expenses are described in that fund's prospectus. An account could invest in the Fund directly; accordingly, a Client should review both the fees charged by the fund and the fees charged by Oberweis to fully understand the total fees to be paid. Oberweis expects to re-balance an account's portfolio of securities three to four times each calendar year based on investment performance.

### ***Emerging Markets Strategy***

The Emerging Markets strategy seeks to maximize long-term capital appreciation. This strategy is not designed for investors seeking income over capital appreciation. The strategy invests in securities of companies based in emerging markets. Currently, securities of companies based in emerging markets include: (1) equity securities of companies that are organized under the law of an emerging market country or that are primarily traded on an exchange or over-the-counter in an emerging market country; or (2) equity securities of companies that have at least 50% of their assets in emerging market countries or derive at least 50% of their revenues from business activities in emerging market countries. Emerging market countries consist of any country defined as



Emerging Market, Frontier, or Developing by MSCI, the International Monetary Fund (“IMF”), or the World Bank.

The strategy invests principally in the common stocks of companies that Oberweis believes have the potential for significant long-term growth in market value. The strategy may invest in Chinese securities acquired through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The strategy seeks to invest in those companies which Oberweis considers to have above-average long-term growth potential. Oberweis selects companies which meet this criteria based on, among other things, fundamental analysis of individual securities. Oberweis’ fundamental analysis entails an evaluation of an individual company’s future growth prospects. Oberweis’ evaluation may be based on, among other things, financial statement analysis, stock valuation in relation to Oberweis’ estimate of future earnings, evaluation of competitive product or service offerings, future research and development pipeline and management interviews. There are no restrictions on the capitalization of companies whose securities the strategy may buy; however, the strategy generally invests in the stocks of small- and medium-size companies which Oberweis defines as those with a market capitalization of less than \$5 billion or within the range of companies in the MSCI Emerging Markets Small-Cap Index, whichever is greater.

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

**Common stock risk**—Because all of Oberweis’ 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, Oberweis may sell short a security. A short sale involves the sale of a security that the client does not own with the intent 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 Oberweis 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 Growth 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 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 (China Opportunities Strategy and investments by Global Small-Cap, International Opportunities, and Concentrated 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.

**Revenue Enhancing Programs**—Oberweis 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 Oberweis’ 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**

Oberweis 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**

Oberweis is affiliated with Oberweis Securities, Inc., (“OSI”) a registered broker/dealer and member of the Financial Industry Regulatory Authority (FINRA). 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. Oberweis does not utilize OSI to execute trades for its institutional accounts at the current time, although it would do so if a client requests that Oberweis use OSI to execute that client’s transactions. See discussion below under Brokerage Practices, Directed Brokerage. Oberweis only utilizes OSI to execute orders for retail clients. 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 the individual registered representatives that are actively engaged in sales activities, may receive, transaction-related compensation for transactions executed by OSI.



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 (Hong Kong) Limited (“OAMHK”) is a company based in Hong Kong, of which Oberweis is the sole shareholder. James W. Oberweis and Patrick B. Joyce are Directors of OAMHK. OAMHK is an investment adviser registered with the SEC and licensed by the Securities and Futures Commission to conduct asset management activities. OAMHK currently has a services agreement with Oberweis to provide investment research and sub-advisory services to Oberweis, including the China Opportunities Fund, which is part of The Oberweis Funds.

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.

Oberweis provides investment advisory services to The Oberweis Funds. James W. Oberweis, David I. Covas, Kenneth S. Farsalas and Patrick B. Joyce are all officers of The Oberweis Funds.

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

Oberweis, its directors, officers, employees, portfolio managers or other affiliates may purchase for itself or themselves certain securities that are recommended to clients. Oberweis 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. Oberweis’ 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 Oberweis’ compliance department and are reviewed for compliance with Oberweis’ policies. Further, the Code prohibits the acceptance of gifts or favors of more than a de minimis amount from companies that do business with Oberweis. A copy of the Code will be furnished to a client upon request.





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## Brokerage Practices

### ***Selection of Brokers and Dealers to Effect Transactions***

Oberweis places orders of securities with a view to obtaining the combination of best net price and execution under the circumstances. In doing so, Oberweis attempts to evaluate the overall quality and reliability of brokers and dealers and the services they provide, including research services, general execution capability, reliability, integrity, willingness to take positions in securities, general operational capabilities and financial condition.

Oberweis' Brokerage and Trade Execution policies and procedures do not obligate it to solicit a competitive bid for each transaction in view of other considerations regarding execution and research capabilities. Furthermore, Oberweis may not seek the lowest available cost so long as Oberweis determines in good faith that the broker's or dealer's commission, spread or discount is reasonable in relation to the value of the execution and research services provided by that broker or dealer to the client or Oberweis when viewed in terms of the particular transaction or Oberweis' overall responsibilities with respect to such clients as to which it offers advice or exercises investment discretion.

### ***Research and Brokerage Products and Services Furnished by Brokers and Dealers***

When selecting a broker for a particular transaction, Oberweis may consider, among other factors, the value of research or brokerage products or services that it receives from the broker that Oberweis uses to assist it in investment decision-making and in the execution of trades (e.g., execution and post-trade matching systems). Generally, "research" is "advice," "analyses," and "reports" that reflect the expression of reasoning or knowledge. "Brokerage services" are those products and services that relate to the execution of the trade from the point at which Oberweis communicates with the broker for the purpose of transmitting an order for execution, through the point at which funds or securities are delivered or credited to the advised accounts.

Such products and services that Oberweis may receive include but are not limited to, the following:

- Company research reports
- Attendance at financial conferences highlighting certain topics
- Securities research software and fundamental company analytics, global portfolio attribution and reporting system
- Order entry, trade and portfolio management software
- Market data (e.g., stock price quotation services)
- Macro-economic research
- Compilations of statistical data
- Electronic market data and financial information
- Index performance measurement data and sector distribution to measure risk
- Real time stock specific information
- An equity research platform that provides analytical data



- Attribution analytics
- Pre-trade and post-trade analytics
- Post-trade matching
- Exchange of messages among broker-dealers, custodians and institutions related to a trade
- Electronic communications of allocation instructions between institutions and broker-dealers
- Routing settlement instructions to custodian banks and broker-dealer clearing agents
- Communications services related to the execution, clearing and settlement of securities transactions
- Trading software used to route orders to market centers
- Software used to transmit orders to direct market access systems
- Comparison services required by the SEC or SRO Rules (e.g., use of electronic confirmation and affirmation of institutional trades)
- Trade analytics

In some instances, Oberweis may enter into arrangements or have an agreement or understanding with a broker or other organization whereby Oberweis will direct brokerage transactions to a specific broker, including, in some instances, for a stated dollar amount of commissions, to compensate the broker, or other organization, for the research or brokerage services supplied. Oberweis will enter into such an arrangement or agreement, or have such an understanding, with a broker only if, in the good faith judgment of Oberweis, the benefits to the client (or clients) whose brokerage paid for the research or brokerage products or services provided by the broker outweigh the potential disadvantage to such clients of possibly higher commissions. In reaching that conclusion, Oberweis also considers that certain of its other clients could benefit from Oberweis receiving the research or brokerage products and services, although these clients do not pay for those benefits. Oberweis also has entered into arrangements with brokers where Oberweis may execute transactions through those broker-dealers and request they allocate a portion of the commissions (or commission credits) to another firm that provides Oberweis with research or brokerage products or services. Oberweis has entered into such arrangements, and may enter into additional such arrangements in the future.

Research products or services provided by brokers may be taken into consideration in servicing Oberweis' own account and any or all of its clients and investment personnel and may also be used by OAMA, OAMHK and OAMUK. Such research and brokerage products or services may not necessarily be used by Oberweis in connection with the accounts which paid commissions to the broker providing such products or services.

If Oberweis receives a product or service that can be used for other (e.g., administrative) purposes, Oberweis will make a reasonable allocation of the cost of such mixed-use products and pay for the ineligible portion directly.



When using brokerage commissions to obtain research and brokerage products or services, Oberweis does not have to produce or pay for such research or brokerage products or services. Oberweis may have an incentive to select or recommend a broker-dealer based on Oberweis' interest in receiving research and brokerage products or services, in lieu of clients receiving receipt of most favorable execution.

### ***Cross Trades***

From time to time, Oberweis will effect cross trades between client accounts (but does not permit proprietary accounts to participate in such trades). Prior to each such transaction, Oberweis will determine that the transaction is in the best interests of each account based on their investment objectives and portfolio characteristics. All such trades will be effected at the market price of the security. Oberweis does not receive any commission or compensation in connection with effecting cross trades and believes that these trades provide benefits to clients.

To the extent permitted by applicable law, from time to time, Oberweis will effect "agency cross" transactions for clients in which OSI acts as agent for both the buyer(s) and seller(s) in the transaction. In addition, neither Oberweis nor OSI expect to effect transactions with 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 Oberweis or OSI transact with a client on a principal basis, Oberweis will take the required disclosures and obtain the necessary consents.

### ***Client Directed Brokerage***

From time to time clients will direct Oberweis (subject to certain conditions that may from time to time be imposed by Oberweis) to effect portfolio transactions through particular brokers or dealers, including OSI, although no institutional client has directed Oberweis to execute trades through OSI at the current time. A direction to utilize a particular broker or dealer may be conditioned by the client on the broker or dealer being competitive, or at specified levels of commissions or commission discounts which are less favorable than might otherwise be attained by Oberweis. In the case of such a "restricted" designation, Oberweis generally will execute transactions through the designated broker. Sometimes, clients wish to restrict brokerage to a particular broker or dealer in recognition of custodial or other services (including, in some cases, referral of the client to Oberweis for investment advisory services) provided to the client by the broker or dealer. Not all investment advisers require clients to utilize a specific broker, including an affiliated broker.

A client who chooses to designate use of a particular broker or dealer on a "restricted" basis, including a client who designates use of a broker or dealer as custodian of the client's assets, should consider whether such use may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions than might otherwise be attainable by Oberweis, or may receive less favorable execution of some transactions or both. A client who "restricts" brokerage may also be subject to the disadvantages discussed below because their account might not be included in an aggregated order of a new issue such as forgoing favorable commission



and execution, lack of competition among orders, and no average pricing. In determining whether to instruct Oberweis to utilize a particular broker or dealer in recognition of such services, the client may wish to compare the possible costs or disadvantages of such an arrangement with the value of the custodial or other services provided. Oberweis is not responsible for any trade related errors caused by the restricted broker.

### ***Trade Allocation***

Oberweis generally aggregates orders for institutional client accounts with trades of other institutional client accounts, as well as The Oberweis Funds, to seek a lower commission or more advantageous net price. All institutional accounts in the same strategy will participate in a block trade, except if an account's risk tolerance, restrictions, tax situation, cash availability or needs or other factors would preclude participation, if Oberweis determines in good faith that participation in the block trade would not be in the client's best interests, or the client has instructed Oberweis to direct brokerage to a specific broker/dealer. In addition, if Oberweis is not able to include an order for an account into an aggregated trade, Oberweis still might transact for that account in the same security that day through a different broker/dealer, which might cause that account to receive a different price and execution cost on that same security. Oberweis may reallocate securities from a block trade to an account not participating in the block trade that would otherwise be eligible to participate in the trade due to unanticipated circumstances; any trade reallocation must be approved prior to settlement by Oberweis' President or Chief Compliance Officer.

Shares purchased and sold in aggregated orders for participating accounts are allocated pro-rata among the participating accounts based on the original order size of each participating client. All participating accounts receive the average price for all transactions executed for that order during the day, and all such accounts share commissions and other transaction costs on a pro-rata basis. If the full amount of the block trade is not completely executed during that trading day, the partial amount filled shall be allocated among the participating client accounts on a pro rata basis before the end of that day (automatically rounded to the nearest hundred share via Oberweis' electronic order management system, with the residual of the fill allocated to the account otherwise receiving the largest allocation). This allocation methodology may be modified when strict adherence to this policy leads to impractical or undesirable results.

Where a client restricts Oberweis to a particular broker or dealer with respect to transactions for that client's account, that client may be disadvantaged in obtaining allocations of new issues of securities which Oberweis purchases or recommends for purchase in other client accounts.

Oberweis may purchase on behalf of its clients securities issued in underwritten offerings. Securities issued in an underwritten offering are purchased for those clients that have sufficient cash available and for whom the offering is suitable, and are allocated pro-rata, rounded down to the nearest 100th share lot, except that an account will not receive an allocation if it would receive less than 2,000 shares (under those circumstances, those shares would be reallocated among the remaining eligible accounts).



If accounts are custodied at a particular broker/dealer (and thus are ineligible to participate in the type of underwritten offering described above), any shares allocated by that broker/dealer to Oberweis on behalf of those accounts will be allocated pro-rata to those accounts, so long as each such account has sufficient cash.

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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.

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

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## **Custody**

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

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## **Investment Discretion**

Oberweis accepts advisory accounts on a discretionary or non-discretionary basis. Oberweis 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, Oberweis 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. Oberweis' 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**

Oberweis' proxy voting authority is established in the client contract between Oberweis and a client. As a general matter, where Oberweis is granted proxy voting authority, the following is a description of its policies and procedures.

Oberweis has established Proxy Voting Policies and Procedures setting forth the general principles Oberweis uses to determine how it should vote proxies on securities in client accounts for which Oberweis has proxy voting authority, including The Oberweis Funds. Oberweis' general policy is to vote proxies in the best economic interests of clients. This includes voting in a particular solicitation based on instructions received from a client. The principles which guide the voting policy of Oberweis are maximizing the value of client assets and promoting the rights of clients as beneficial owners of the companies in whose securities they invest. Oberweis' investment strategies are predicated on the belief that the quality of management often is the key to ultimate success or failure of a business. Because Oberweis generally makes investments in companies in which Oberweis has confidence in the management, proxies generally are voted in accord with management's recommendation. Oberweis may vote a proxy in a manner contrary to management's recommendation if, in the judgment of Oberweis, the proposal would not enhance shareholder value.

Oberweis has retained ISS Governance Services ("ISS"), 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 client proxies. While ISS makes the proxy voting recommendations, Oberweis retains the ultimate authority on how to vote.

Oberweis Proxy Voting Policies and Procedures describe how Oberweis addresses conflicts of interest between Oberweis and its clients, including Fund shareholders, with respect to proxy voting decisions. If Oberweis determines that, through reasonable inquiry or otherwise, an issue raises a potential material conflict of interest, Oberweis will follow the recommendations of ISS except as follows. If Oberweis and/or the Proxy Committee believes that it would be in the interest of Oberweis clients to vote a proxy other than according to the recommendation of ISS, the Proxy Committee will prepare a report that (1) describes the conflict of interest; (2) discusses procedures used to address such conflict of interest; and (3) confirms that the recommendation was made solely on the investment merits and without regard to any other consideration.



Oberweis will use its best efforts to vote "foreign security proxies" consistent with its proxy voting policy, but will not vote a foreign security proxy under the following circumstances:

- If the cost of voting a foreign security proxy outweighs the benefit.
- When Oberweis 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.

Unless otherwise required, if an Oberweis client has determined to participate in a securities lending program, Oberweis will not seek recalls for the purpose of voting proxies for the securities on loan.

A copy of Oberweis' Proxy Voting Policy and Procedures, or information on how Oberweis voted your shares, is available upon request.

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### **Financial Information**

Oberweis 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 Oberweis' ability to meet contractual commitments to its clients.

