



## Fourth Quarter 2011 Commentary

### Oberweis China Opportunities Fund (OBCHX)

#### The Year and Quarter in Review

The Chinese market performed poorly in 2011 as risk aversion rose markedly in reaction to increased investor angst over the sovereign debt crisis in Europe. Chinese equities essentially reflected the trials and tribulations of the Europeans, illustrating the important connection between China and Europe, its top export market. The fourth quarter was no exception, although Chinese equities rebounded slightly as the Chinese government cut its reserve requirement ratio by 50 basis points at the end of November, the first sign of easing since 2008 as exports and industrial production slowed. Risk aversion remains high globally, however, and Chinese equities have been consistently and disproportionately punished in this “risk off” environment, despite economic growth that is substantially higher than developed Western markets. The prevailing sentiment in Asian markets continues to be driven by news on the European crisis, and as a result Chinese equity valuations are extremely favorable. As we highlighted in our third-quarter commentary, 2012 IBES PE at 8.5x remained very attractive.

Admittedly, stock valuations are currently low for real reasons. They reflect a high degree of uncertainty, renewed fears of global recession, and the possibility of an apocalyptic collapse in Europe (though we assign a low probability to such an event). Many questions remain unanswered. What will happen to the Euro and how will 27 disparate nations with varying interests agree on a resolution to fix it? How will the U.S. pay back its debts and who will keep loaning it money until they do? Are China’s days of high-octane growth behind it? Will the Middle East explode into chaos? We don’t profess to have the answers to all of these questions, though we believe extreme pessimism relative to these issues is unwarranted.

While investors continued to obsess over macro issues for much of 2011 – and manically traded “risk-on” and “risk-off” in response to every whimsical change in the macro picture – we have remained steadfastly focused on investing in small- to mid-cap Chinese companies at the forefront of innovation in their respective industries. We believe that in a more normalized environment these well-positioned companies will be rewarded with above-market P/E ratios.

#### Outlook

Politics and the sovereign debt crisis will continue to make headlines in 2012. While there have been encouraging economic data from the U.S., we are wary that the politics leading up to the U.S. elections in November could sidetrack the U.S. economy and impact Chinese exports. In China, we believe the transition of leadership to a new core group of younger leaders in October will be relatively smooth. This heavily choreographed event suggests that we should not expect surprises with Xi Jinping and Li Keqiang – both of whom are already in the current team of leadership – tabbed for the top two posts of President and Premier. We believe the new leaders have been consulted and support the policies implemented by the government this past year, and significant policy changes are unlikely.

In China, we expect the equity markets to be driven by liquidity flow and selected easing policies to counter slower

global economic growth. On the liquidity front, China remains an attractive investment destination given its relative high economic growth rate, although we believe that sustainable liquidity flow into China and Asia cannot truly materialize until a reasonable solution to the European crisis is put forth by European leaders. Importantly, we also believe Chinese leaders will become more accommodative with fiscal and monetary policies in 2012 to support the Chinese economy. We believe more easing and a continued modest economic recovery in the U.S. will help China maintain its GDP growth above 8%, so long as Europe does not get materially worse.

Additionally, the Chinese economy continues to undergo structural change that will make it less-dependent on exports over the long-term. Recent statements by Chinese leaders aimed at boosting domestic consumption and investing in technology confirm our optimism that China is shifting from low-cost exporter to a more balanced economy with growth increasingly driven by its emerging middle-class consumers. In our view, nothing speaks better of this change than the rise of e-commerce in China. China is now the third largest express delivery market, behind the U.S. and Japan. Transaction volume has been growing at 27% annually over the last 5 years, with the number of daily packages delivered rising from 3 million to 13 million. A separate report by Boston Consulting Group predicted that China could surpass the U.S. to be the largest Internet retail market in the world by 2015. With 23% of its urban population shopping online in 2010, e-commerce almost quadrupled to Rmb476 billion. While competition is extremely strong in e-commerce and it is too early to predict winners, we have invested in 21 Vianet (VNET), the largest third-party Internet data center service provider in China. We believe that 21 Vianet will benefit from the secular growth of Internet traffic – driven by e-commerce and entertainment – on the Internet.

#### Fund Highlights

During 2011, the Oberweis China Opportunities Fund returned -38.72% versus -33.25% for the MSCI Zhong Hua Small Cap Growth Index<sup>1</sup>. During the fourth quarter, the Fund returned +4.95% versus +5.26% for the MSCI Zhong Hua Small Cap Growth Index.

#### Organization Update

There were no changes to the Oberweis China team this quarter.

#### Oberweis Asset Management’s Investment Philosophy

We believe that investing in small growth-oriented companies at the inflection point of change results in superior investment performance over long periods of time. We believe that innovation is the key to economic growth and wealth creation and are committed to investing in companies at the forefront of innovation – smaller company stocks that offer the potential for extraordinary revenue and earnings growth. We believe that there are opportunities to discover such companies around the world and are committed to a global investment approach.

## Growth Equity Investing

James W. Oberweis, CFA  
President, Co-Portfolio  
Manager

John Wong, CFA, CPA  
Director of Asian Equities &  
Co-Portfolio Manager

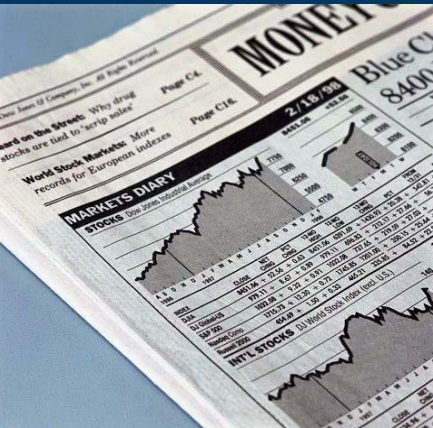
<sup>1</sup> The MSCI Zhong Hua Small Cap Growth Index (Net) is a free float-adjusted, market capitalization weighted index that is designed to measure the performance of small cap stocks in the developed markets and emerging markets of China and Hong Kong excluding A share classes, with minimum dividends reinvested net of withholding tax.



# Oberweis China Opportunities Fund (OBCHX) Fourth Quarter 2011

Investing in small to mid capitalization China securities in the expansionary phase of their lifecycle.

## Oberweis Asset Management, Inc.



The Oberweis China Opportunities Fund invests at least 80% of its net assets in China securities. Currently, China securities include equity securities of companies that are organized under the laws of The People's Republic of China, Hong Kong, Taiwan or Singapore. Companies that have at least 50% of their assets in China or derive at least 50% of their revenues from business activities in China are also included in China equity securities. Companies normally meet the Oberweis Octagon investment criteria prior to investing. Oberweis Asset Management was among the first to focus on smaller growth Chinese companies.

The potential key benefits of the China Opportunities Fund are:

- Participate in China's transformation from an emerging market to an economic power
- Benefit from the anticipated above-average growth of China's GDP over the next decade
- Take advantage of the powerful impact that China's emerging consumer class will have on the global demand for goods and services, as China continues to evolve from that of a rural to an urban-based society
- Access to attractive but lesser-known companies that lack formal institutional coverage but possess above-average growth potential
- Achieve a more effective asset allocation, and greater long-term diversification through investments in Chinese and Pacific Rim equities
- Low correlation to major foreign and U.S. markets
- Potential for significant alpha over a full market cycle

**Minimum Investment:** \$1,000

The Oberweis Funds invest in rapidly growing smaller and medium sized companies which may offer greater return potential. However, these investments often involve greater risks and volatility. Investing in the regional markets of China involves risks and considerations not present when investing in more-established securities markets. Investing in regionally concentrated investment funds should be considered speculative and thus not appropriate for all investors. There is no guarantee that the portfolios can achieve their objectives.

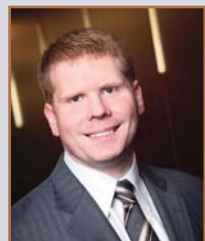
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## Oberweis Asset Management, Inc. – Advisor to The Oberweis Funds

Recognized as a leading small-cap stock specialist, Oberweis has been helping institutional investors manage their assets prudently and effectively for many years. Our highly skilled investment management team includes:

**James W. Oberweis, CFA**  
President, Co-Portfolio Manager



- MBA, University of Chicago
- Featured guest on CNBC and Bloomberg television

**John Wong, CFA**  
Director of Asian Equities & Portfolio Manager



- MBA, Stanford University
- Fluent in Mandarin, Cantonese, Taiwanese, and Hainan
- Based in Hong Kong

**Jeff N. Papp, CFA**  
Senior Analyst



- BS, Finance, University of Illinois
- Featured guest on CNBC and Bloomberg television

**Pauline Huang**  
Senior Analyst



- Chartered Financial Analyst (CFA) Level III Candidate
- MBA, Hong Kong University of Science and Technology
- Fluent in Mandarin and Cantonese
- Based in Hong Kong

**Yanru Hsu, CFA**  
Senior Analyst



- MBA, University of Maryland
- Fluent in Mandarin and Japanese
- Based in Hong Kong

**Barry Wang**  
Analyst



- Master's degree, Peking University
- Fluent in Mandarin and Shanghainese
- Based in Hong Kong

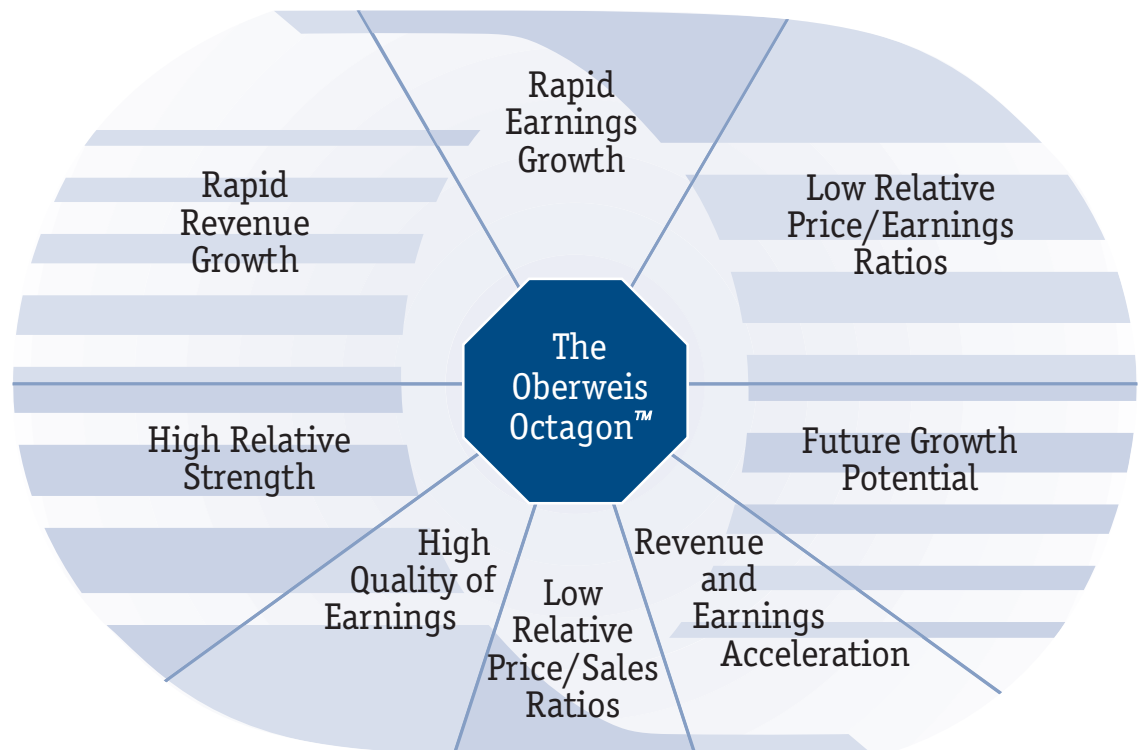


## The Oberweis Octagon™

A unique blueprint for success

Our unique, highly disciplined investment approach includes a series of eight criteria to focus our research efforts. Beginning with a universe of approximately 3,000 companies, we select only those with the potential for exceptional growth. These companies must be profitable in the most recently reported quarter and have:

1. Rapid Revenue growth
2. Rapid Earnings growth
3. Price/earnings ratio of less than half the company's rate of growth (12 month fwd P/E)
4. Products or services offering the potential for extraordinarily rapid and sustained growth
5. Ideally, the company should be experiencing revenue and earnings acceleration
6. Reasonable price/sales ratio
7. High quality of earnings
8. High relative strength



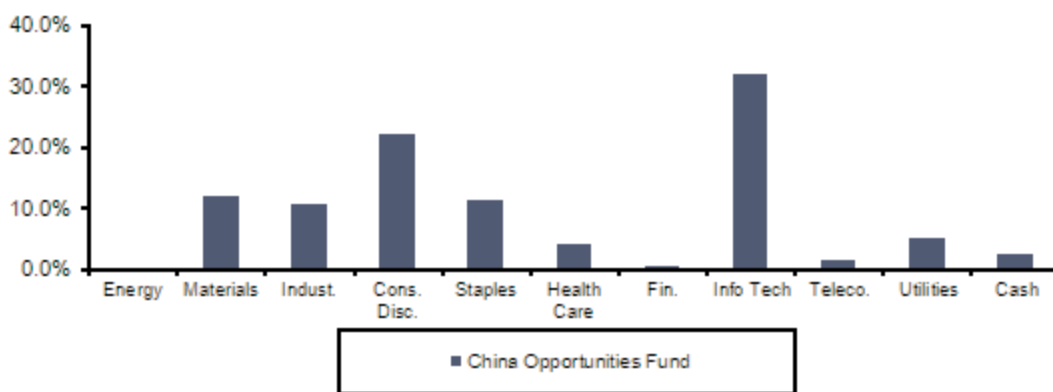


## Oberweis China Opportunities Fund Sector Weightings

(as of December 31, 2011)

Source: Thomson Portfolio Analytics

Oberweis China Opportunities Fund (OBCHX)	
Energy	0.0%
Materials	11.8%
Industrials	10.4%
Consumer Discretionary	22.0%
Consumer Staples	11.3%
Health Care	3.8%
Financials	0.2%
Information Technology	31.9%
Telecomm Services	1.4%
Utilities	4.8%
Cash	2.4%
	100.0%



Sector Weightings as a % of Total Net Assets



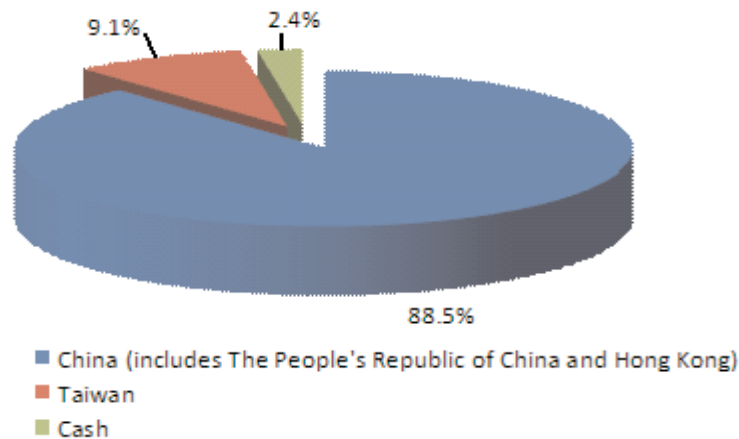
## Oberweis China Opportunities Fund Country Allocation\*

(as of December 31, 2011)

Source: Thomson Portfolio Analytics

\*Country Allocation is defined using MSCI's Country Classification methodology.

Oberweis China Opportunities Fund (OBCHX)	
China (includes The People's Republic of China and Hong Kong)	88.5%
Taiwan	9.1%
Cash	2.4%
	100.0%



Country Allocation as a % of Total Net Assets



Company Name	Percentage	Line of Business
1. Spreadrum Communications, Inc.	4.2%	Manufacturer of chips used in handsets that cover both 2G and 3G applications
2. AAC Acoustic Holdings, Inc.	3.1%	Provider of acoustic componenets used in smartphones and tablets
3. China Zheng Tong Auto Services	2.8%	High end car dealership chain in China
4. China Resources Gas Group Ltd.	2.6%	Distributes natural gas in China
5. Zhaojin Mining Industry Co. Ltd.	2.6%	Leading gold miner in China
6. ENN Energy Holdings Ltd.	2.6%	Natural gas distributor in China
7. China Mengniu Dairy Co. Ltd.	2.5%	Dairy manufacturer in China
8. Trinity Ltd.	2.5%	Retailer of men's formal wear
9. SINA Corporation	2.5%	Popular internet portal in China
10. NetEase.com, Inc.	2.4%	Online game company in China

**Oberweis China Opportunities Fund Ten Largest Equity Holdings**  
(as of September 30, 2011)

Source: Thomson Portfolio Analytics

Top 10 Holdings as a % of Total Net Assets

Portfolio Holdings are subject to change at any time. References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable.

**Oberweis China Opportunities Fund Total Returns**  
(as of December 31, 2011)

	Annualized				Inception (10/1/05)
	Quarter	1-Year	3-Year	5-Year	
Oberweis China Opportunities Fund (OBCHX)	4.95%	-38.72%	18.55%	-1.10%	10.32%

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate, so that you may have gain or loss when shares are sold. Current performance may be higher or lower than quoted. Visit us online at oberweisfunds.com for most recent month-end performance. Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. To obtain a copy of the prospectus please visit our website at oberweisfunds.com or call 800-323-6166. Read it carefully.

The Oberweis Funds are distributed by Oberweis Securities, Inc. Member: FINRA & SIPC.

Oberweis Asset Management (Asia) Limited ("OAMA"), a company organized under the laws of Hong Kong, is a wholly owned subsidiary of Oberweis Asset Management, Inc. ("OAM") and is a registered investment adviser and licensed by the Hong Kong Securities and Futures Commission to conduct asset management activities. OAMA has entered into a services agreement with OAM to provide portfolio management, research and trading services to OAM's clients.



**Growth of \$10,000 invested**

10/1/05 (with income reinvested)

