



Fourth Quarter 2011 Commentary

Oberweis Micro-Cap Fund (OBMCX)

The Year and Quarter in Review

2011 was a humbling year. In last year's outlook, we noted that valuations for micro-cap growth stocks, as measured by price/earnings ratios, were below average, and that we expected P/E's to gravitate upward toward longer-term averages. In retrospect, risk aversion rose markedly in 2011 as investors increasingly fretted about the sovereign debt crisis in Europe. P/E's for high-growth smaller-cap stocks compressed further, despite reasonable earnings growth. The Median Forward 4 Quarters P/E of the Oberweis Universe, which is comprised of companies growing faster than 30% with market capitalizations under \$1 billion, fell from 16 times at the end of 2010 to an abnormally low 13 times currently. With the exception of late 2008 and early 2009 – which turned out to be an extraordinary buying opportunity – rapidly growing micro- and small-cap companies have never been cheaper in the last 20 years.

Admittedly, stock valuations and bond yields 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 us money until we 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.

Declines in bond yields in 2011 clearly reflected these higher levels of risk-aversion among investors. Bonds again appreciated and U.S. 30-year Treasury bond yields slipped from 4.36% to a stunningly low yield of 2.89%, the lowest level since the 2008-2009 global financial crisis. Risk aversion was also captured in equities, as riskier asset classes like micro-cap stocks significantly underperformed seemingly less risky large-caps during 2011: the larger cap Russell 1000 Growth Index returned +2.64% versus a return of -8.42% for the Russell Micro-cap Growth Index, a difference of 1,106 basis points.

Another by-product of risk aversion in the marketplace over the last several years has been a dramatic increase in equity correlations. According to research by Bank of America Merrill Lynch, pair-wise correlations (correlation coefficients describe the strength of the relationship between two variables) of the stocks in the Russell 2000 Index hit a record high of 56.4% in 2011, far above the long-term average of 15.9% observed since 1990. The result is an increase in the number of stocks that do not trade in-line with underlying company fundamentals. 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 rapidly-growing micro-cap 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 2012

History notes that times of immense uncertainty and exceeding pessimism have often worked out to be the best opportunities to buy equities, although it sometimes takes time to play out. Rapidly growing micro-cap stocks often get clobbered when bad news hits the economy for two reasons: first, earnings expectations decline, and second, the P/E multiple investors are willing to pay for those earnings also declines as uncertainty increases. Thanks to the post-2008 risk-averse environment, valuations for smaller, high-growth stocks have already been clobbered, which makes us much less worried about further compression from here. Eventually we expect mean reversion; stocks don't stay cheap forever. With P/E multiples for micro- and small-cap growth stocks already at the low end of their historical range, we believe an upward bounce is much more likely than a further decline, even if the economy does not show robust growth in 2012.

The real risk, in our view, is that earnings fall significantly short of expectations. This risk applies to all equities, and frankly we believe it's less worrisome for smaller companies than for large-caps. We also submit that recent U.S. economic data, which have generally been better than expected, do not support a pessimistic view of earnings in 2012 relative to muted expectations. Furthermore, niche-oriented micro-cap growth companies are often growing because of innovation, more so than broad-based GDP growth. These types of companies will find opportunities to grow even if the broader economy doesn't, because of their innovation edge. In fact, when bonds pay nothing, and large-cap earnings depend on relatively modest GDP growth, one would expect investors to eventually pay a premium for companies generating growth in excess of market averages. Currently, as noted above, they are paying a sharp discount to normal premiums.

In short, our forecast calls for investors to warm to riskier assets by the end of 2012, although risk tolerance could certainly oscillate wildly at various points during the year. Declining risk aversion will trump economic growth itself (which will likely remain quite modest) as the driver of stock prices. More importantly, even if we are wrong, we believe the risk of losing money in equities is substantially lower than normal. Micro-cap growth stock valuations are cheap, and like most things in life, economies are cyclical, even if this cycle has been a long and painful one. For the contrarian with a reasonable time horizon, we believe that spells opportunity.

Fund Highlights

During 2011, the Oberweis Micro-Cap Fund returned -8.05% versus -8.42% for the Russell Micro-Cap Growth Index and -2.91% for the Russell 2000 Growth Index. During the fourth quarter, the Fund returned 17.03% versus 13.26% for the Russell Micro-Cap Growth Index and 14.99% for the Russell 2000 Growth Index.

The Fund benefited during the year from strong stock selection in consumer discretionary (added 210 basis points of excess return relative to the Russell 2000 Growth Index), energy (201 basis points), healthcare (62 basis points), and materials and processing (53 basis points). Performance during the year was hampered by stock selection in technology (deducted 538 basis points relative to the Russell 2000 Growth Index), producer durables (243 basis points), and consumer staples (131 basis points). The technology and consumer discretionary sectors were among the worst performers during the year as investors shunned risk; defensive sectors like consumer staples and financials were the best performers.

Organization Update

There was no change in OAM's Micro-Cap Growth Equity team.

Oberweis Asset Management's Investment Philosophy

We believe that investing in rapidly growing small companies in the early stages of their growth cycles 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.

For over 20 years, we have focused exclusively on these companies, seeking opportunities where rapid change is driving growth and the potential for superior investment results over the long-term. Our time-tested and proprietary Oberweis Octagon is a specific research framework that allows us to quickly identify and understand the companies driving innovation in the global economy.

The entrepreneurial spirit is alive and well at these companies. Many are nimble and uniquely address the needs of their customers with patented new products and services. Successful investing, however, demands more than finding companies with good growth prospects. We must also buy these stocks for our clients at prices that make sense. We call our approach to investing AGARP---aggressive growth at a reasonable price. By paying careful attention to companies' valuations in relation to expected earnings growth rates, we seek to purchase stocks when they still have considerable appreciation potential.

Growth Equity Investing

James W. Oberweis, CFA
President, Portfolio Manager

Ken Farsalas, CFA
Director of U.S. Equities,
Portfolio Manager

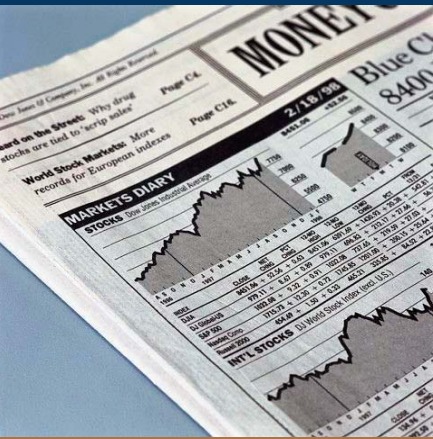


Oberweis Micro-Cap Fund (OBMCX)

Fourth Quarter 2011

Investing in micro-cap growth companies in the expansionary phase of their lifecycle.

Oberweis Asset Management, Inc.



Key Benefits

The Micro-Cap Fund invests at least 80% of its net assets in the securities of very small companies with a market capitalization of \$400 million or less at the time of investment in an effort to capture the exceptional growth potential of emerging companies in the most dynamic phase of their development.

The potential key benefits of the Micro-Cap Fund are:

- Access to one of the least efficient segments of the equity market
- Potential for significant alpha over a full market cycle
- Disciplined and repeatable investment process managed by a passionate and experienced investment team
- Fundamental research process specifically designed to uncover micro-cap companies at the forefront of innovation
- Emphasizing rapidly growing small companies expected to have exceptionally high revenue and earnings growth at reasonable price/earnings to growth rates
- Diversified, fully invested portfolio – no market timing

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. There is no guarantee that the portfolios can achieve their objectives.

For more information please contact John Collins, CIMA® at:

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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 key investment professionals include:

James W. Oberweis, CFA
President, Portfolio Manager (Principal)



- MBA, University of Chicago
- Over 17 years of investment experience
- Featured guest on CNBC and Bloomberg television

Kenneth S. Farsalas, CFA Director of U.S. Equities, Portfolio Manager (Principal)



- MBA, University of Chicago
- Over 19 years of investment experience
- Featured guest on Forbes.com

David I. Covas, CFA
Portfolio Manager (Principal)



- MBA, University of Chicago
- Over 15 years of investment experience
- Featured guest on Bloomberg television

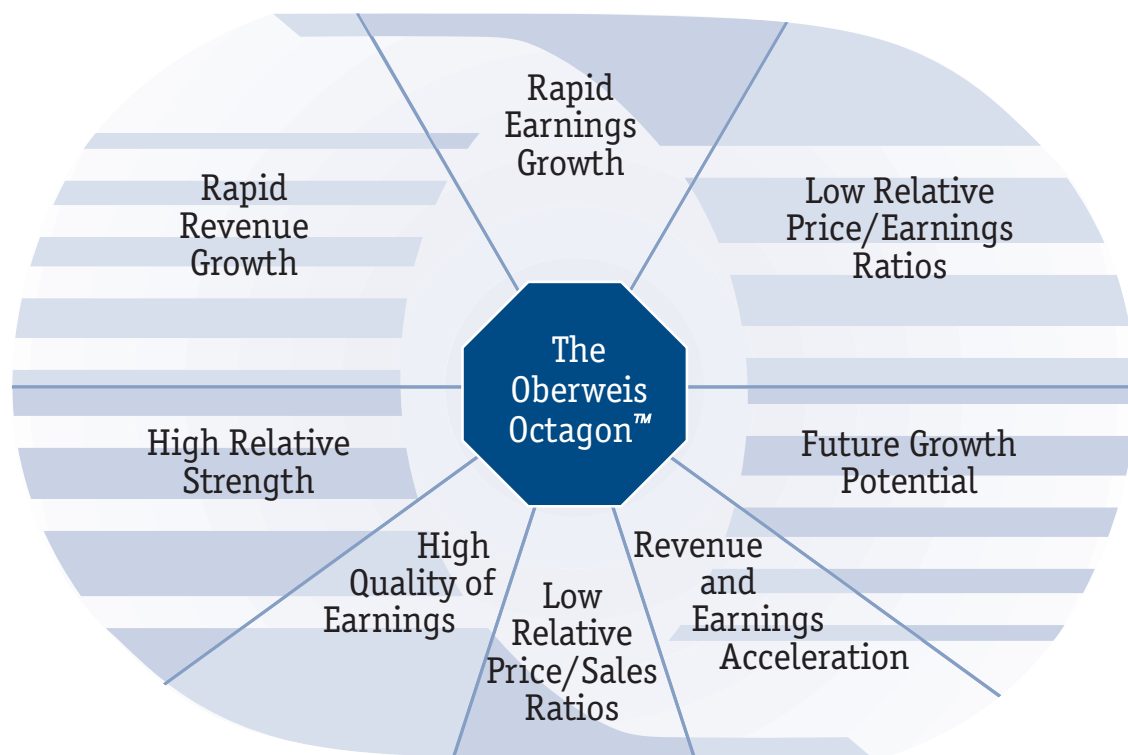


The Oberweis Octagon™

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 14,000 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. Revenue growth of 30% or more
2. Earnings growth of 30% or more
3. Price/earnings ratio 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 Micro-Cap Fund Characteristics

(as of December 31, 2011)

Source: Baseline

	Oberweis Micro-Cap Fund (OBMCX)
Number of Stocks	82
Weighted Market Capitalization (in millions)	\$439
Median Market Capitalization (in millions)	\$219
P/E Forward 4 Quarters (estimated)	16.0x
P/E Trailing 4 Quarters	19.6x
Long-Term Future EPS Growth Rate (estimated)	21%
2011 P/E to Growth Rate Ratio	1.0x
2012 P/E to Growth Rate Ratio (estimated)	0.6x
Dividend Yield	0.2%
Price to Book Ratio	2.4x
Price to Cash Flow Ratio	12.8x
Price to Sales Ratio	1.36x
Long-Term Debt to Total Equity	10.0%
Return on Equity	13.2%
Net Profit Margin	6.6%
Cash Position	0.0%
Portfolio Turnover (2011)	62.9%



Oberweis Micro-Cap Fund Sector Weightings

(as of December 31, 2011)

Source: Baseline

	Oberweis Micro-Cap Fund (OBMCX)
Consumer Discretionary	16.4%
Consumer Staples	0.2%
Energy	11.1%
Financial Services	5.6%
Health Care	14.0%
Materials & Processing	3.4%
Producer Durables	21.0%
Technology	27.3%
Utilities	1.0%
Cash	0.0%
Total	100.0%

Sector Weightings as a % of Total Net Assets



Oberweis Micro-Cap Fund Ten Largest Equity Holdings

(as of September 30, 2011)

Source: Baseline

Company Name	Percentage	Line of Business
1. Acacia Research Corporation	5.8%	Acquires and licenses patented technologies
2. Amerigon, Inc.	5.1%	Develops high-technology products for automotive OEM's
3. Twin Disc	3.8%	Manufactures marine & heavy duty, off-highway power transmission equipment
4. Body Central Corp.	3.5%	Specialty retailer of young women's apparel and accessories
5. Hi-Tech Pharmacal Co., Inc.	3.2%	Manufactures and markets prescription, OTC, and nutritional products
6. Mistras Group, Inc.	3.2%	Provides monitoring and testing services for critical energy, industrial, and public infrastructure
7. GeoResources, Inc.	2.7%	Explores for and produces oil and gas
8. G-III Apparel Group	2.5%	Designs and markets outerwear, sportswear, and dresses
9. DUSA Pharmaceuticals, Inc.	2.4%	Develops and manufactures a combination light-based therapy system and drug to treat pre-cancerous skin lesions
10. BofI Holding, Inc.	2.3%	A consumer-focused nationwide savings bank that operates primarily over the internet

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 Micro-Cap Fund Total Returns

(as of December 31, 2011)

	Quarter	Annualized			
		1-Year	3-Year	5-Year	10-Year
Oberweis Micro-Cap Fund (OBMCX)	17.03%	-8.05%	17.24%	-3.55%	5.37%
Russell Microcap Growth Index	13.26%	-8.42%	18.18%	-2.32%	2.77%
Russell 2000 Growth Index	14.99%	-2.91%	19.00%	2.09%	4.48%

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.

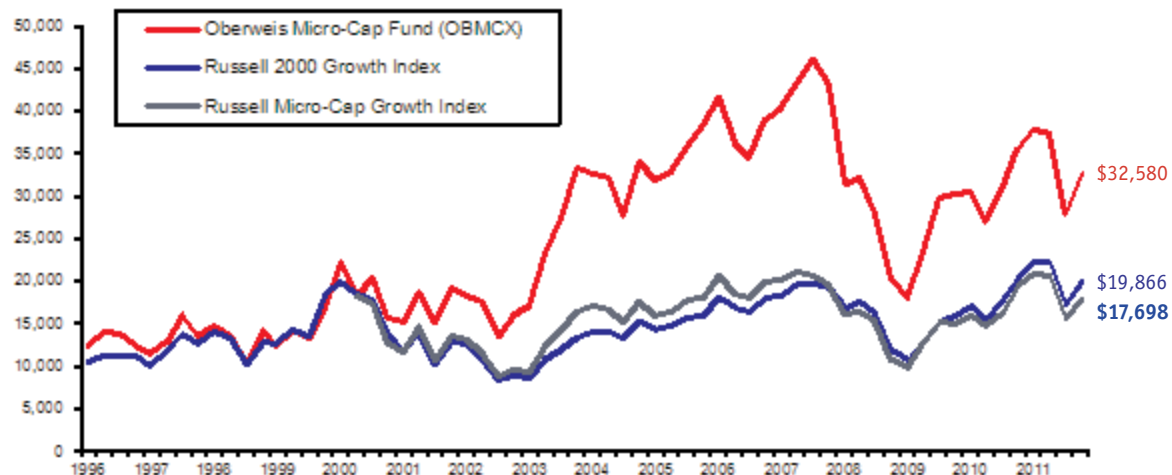
The Russell 2000 Index measures the performance of approximately 2,000 companies with small-market capitalizations. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted earnings growth rates. The Russell Microcap Growth Index measures the performance of those Russell Micro Cap companies with higher price-to-book ratios and higher forecasted growth values. The performance data includes reinvested dividends. The Russell Microcap Index is represented by the smallest 1,000 securities in the small cap Russell 2000 Index plus the next 1,000 securities. Each index is an unmanaged group of stocks, whose performance does not reflect the deduction of fees, expenses or taxes.

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.



Growth of \$10,000 invested

1/1/96 (with income reinvested)



The Russell Microcap Growth Index began on 7/3/00, and the line graph for the Index begins at the same value as the Fund on that date.