



## First Quarter 2011 Commentary

Asia Opportunities Fund (OBAOX)

### The Quarter in Review

It is uncommon for global financial markets to digest two major external shocks in a short period of time, but that was the reality faced by investors during the first quarter of 2011. Remarkably, global equity indices held up reasonably well considering the circumstances. First, the March 11th earthquake in Japan and the subsequent nuclear crisis was an enormous catastrophe for the people of Japan. While the human tragedy is clear, the global economic consequences are more difficult to discern. The earthquake has undoubtedly disrupted the supply chains of consumer electronics and auto industries, but it isn't yet clear as to the duration or magnitude of the problem. Do manufacturers have sufficient inventories to buy enough time for Japan to recover and/or alternative suppliers to be procured? Or will the semiconductor and automotive companies experience supply chain problems that could weigh on earnings in the second quarter? We believe the second scenario to be more likely. In a second shock, mass street protests in Tunisia, Bahrain, Egypt, Yemen, and Libya rocked the Middle East in domino-like succession. Oil climbed 15% in the first quarter amid rising demand and fear that unrest would spread to the elephant of oil producers, Saudi Arabia. All in all, it would be an understatement to say the quarter was an eventful one.

China's economic growth remains on track after it reported a higher than expected 9.7% growth rate in its GDP in the first quarter this year compared to 9.8% in the fourth quarter last year. The strong GDP was fueled by a much higher March retail sales, which grew by 17%, and relatively stable industrial production and fixed asset investment. Elsewhere, Singapore also reported a better than expected GDP growth of 8.5%, providing evidence that Asia's economy continues to outperform other parts of the world.

Inflation continues to be a top priority in Asia including China and India. Even after raising interest rate and bank reserve requirement several times this and last year, and including a 50bp increase in reserve requirement on March 18, inflation remains high in China. The country's March inflation was 5.4% compared to 4.9% in January and February. Despite a 25bp fourth rate hike in early April, China is expected to tighten a few more times in the first half as the government remains vigilant in its effort to control inflation. In India, inflation also accelerated with its wholesale price index rising to 8.98% in March compared to 8.31% in February. Food inflation which rose 12% in March in China is the primary cause of inflation across much of Asia.

### Outlook

2011 marks the beginning of the next five-year plan and a turning point for the Chinese economy. In the short-term, the government has shifted its policy focus from promoting growth to fighting inflation. Over the long-term, there were no major surprises in China's 12th five-year plan, which focuses on sustainable growth, providing affordable housing, boosting domestic consumption, and expanding the use of alternative and renewable energy.

In our last commentary, we wrote that inflation would peak in the first half as countries across Asia raised rates and remain vigilant in their oversight. We believe this will be positive for Asia since many countries in the region are

ahead of the curve in their efforts fighting inflation. In particular, the proactive and aggressive moves by the Chinese government since last year should reduce fear of the Chinese economy overheating. While we still believe that China is nearing the end of its tightening cycle, the surge in oil to more than US\$100 - partially in reaction to instability in the Middle East - could make the inflation fight more difficult and lead to more rate hikes later this year. Investors' risk aversion will rise significantly if the unrest spreads to and grows in Saudi Arabia.

We have long maintained that the Chinese economy will undergo a dramatic change from a "hardware" economy of low-cost manufacturing and infrastructure construction to a "software" economy of consumption and technology know how. This is best illustrated in the renewable energy sector where China has outspent the US, Japan and European countries in an effort to diversify its energy use and clean up its environment. The Fund has been consistently biased toward companies that will benefit from this transformation. We believe some of these companies we invest in will emerge as global leaders with cutting edge technology and superior product quality. A 19% rise in budget to US\$3.6 billion for the Ministry of Science & Technology is further proof that the country is committed to this change. Although the Fund was hurt by profit taking in consumer and health related stocks in the first quarter following strong relative performance last year, we believe the Fund is well positioned to benefit from the government's new five-year plan. We continue to invest in companies that we believe will be successful in branding their products and building their market share.

### Fund Highlights

For the first quarter of 2011, the Oberweis Asia Opportunities Fund returned -1.66% compared to the MSCI Asia Pacific ex-Japan Small Cap Growth Index, which returned -1.26%.

We maintain our overweight positions in China and Hong Kong where we had a combined 55.06% of our investments. After the earthquake, we also invested in selected construction and material companies in Japan, Malaysia, Indonesia and Australia that could benefit from the rebuilding in Japan.

### Organization Update

There are no changes to report at Oberweis Asset Management.

### 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

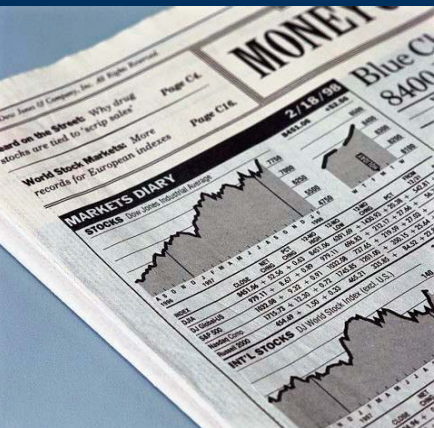
John Wong, CFA  
Portfolio Manager



# Oberweis Asia Opportunities Fund (OBAOX) First Quarter 2011

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

## Oberweis Asset Management, Inc.



The Asia Opportunities Fund invests, under normal circumstances, at least 80% of its net assets in Asia securities. Currently, Asia securities include equity securities of companies that are organized under the laws of a country located in Asia or that are primarily traded on an exchange or over-the-counter in Asia. Companies that have at least 50% of their assets in Asia or derive at least 50% of their revenues from business activities in Asia are also included in Asia equity securities. Companies normally meet the Oberweis Octagon investment criteria prior to investing.

The key benefits of the Asia Opportunities Fund are:

- Provide investors with the ability to achieve long-term growth of capital through a diversified portfolio of investments in smaller, high-growth companies in Asia, including China and India
- Benefit from the anticipated above-average growth of Asia's GDP
- Take advantage of continued infrastructure build-out and the emergence of a consuming middle-class in the region and invest in companies poised to benefit from these trends
- Increase investors access to attractive but lesser-known foreign companies that do not receive significant institutional coverage, but possess above-average growth potential
- Enable investors to achieve a more diversified asset allocation, and greater long-term diversification of their portfolios, through investments in Asian equities

**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 Asian markets 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.

For more information  
please contact  
Brian Lee at:

Oberweis Asset Management, Inc.  
3333 Warrenville Rd., Suite 500  
Lisle, IL 60532  
(800) 323-6166 • (630) 577-2321  
brian.lee@oberweis.net  
www.oberweisfunds.com

## 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:

**John Wong, CFA**  
Portfolio Manager, Asia



- MBA, Stanford University
- Over 18 years of investment experience
- 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

**James W. Oberweis, CFA**  
President, CIO



- MBA, University of Chicago
- Over 16 years of investment experience
- Featured guest on CNBC and Bloomberg television

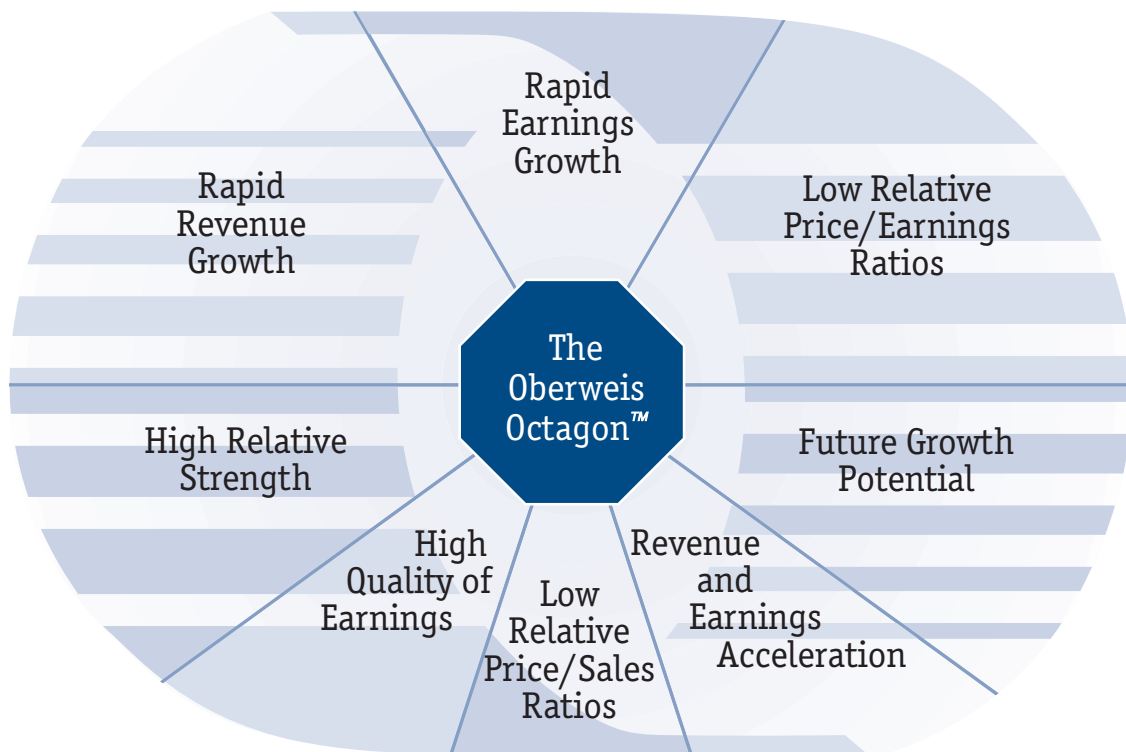


## The Oberweis Octagon™

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 8,000 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 equal to 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

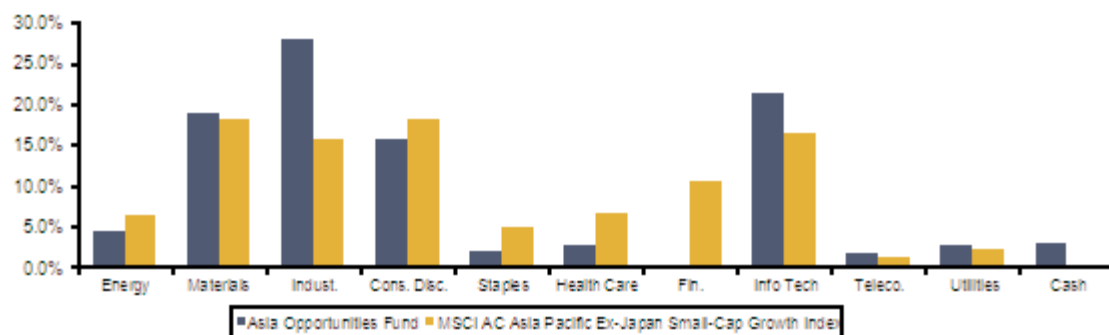




|                        | Oberweis Asia Opportunities Fund (OBAOX) | MSCI AC Asia Pacific Ex- Japan Small-Cap Growth Index |
|------------------------|--|---|
| Energy                 | 4.4%                                     | 6.3%  |
| Materials              | 19.0%                                    | 18.1%   |
| Industrials            | 28.0%                                    | 15.6%   |
| Consumer Discretionary | 15.6%                                    | 18.2%   |
| Consumer Staples       | 1.9%                                     | 5.0%  |
| Health Care            | 2.6%                                     | 6.6%  |
| Financials             | 0.0%                                     | 10.5%   |
| Information Technology | 21.3%                                    | 16.5%   |
| Telecomm Services      | 1.6%                                     | 1.3%  |
| Utilities              | 2.7%                                     | 2.1%  |
| Cash                   | 3.0%                                     | N/A   |
|                        | 100.0%                                   | 100.0%  |

## Oberweis Asia Opportunities Fund Sector Weightings

(as of March 31, 2011)



Source: Thomson Portfolio Analytics

Sector Weightings as a % of Total Net Assets



## Oberweis Asia Opportunities Fund Country Allocation\*

(as of March 31, 2011)

|                 | Oberweis Asia Opportunities Fund (OBAOX) | MSCI AC Asia Pacific Ex- Japan Small-Cap Growth Index |
|-----------------|--|---|
| Hong Kong       | 35.9%                                    | 17.3%   |
| Australia       | 23.4%                                    | 26.3%   |
| China           | 11.2%                                    | 3.2%  |
| Japan           | 7.7%                                     | 0.0%  |
| South Korea     | 6.6%                                     | 12.4%   |
| India           | 4.6%                                     | 8.0%  |
| Indonesia       | 4.4%                                     | 2.5%  |
| Malaysia        | 2.9%                                     | 3.5%  |
| Singapore       | 0.5%                                     | 5.7%  |
| Taiwan          | 0.0%                                     | 16.6%   |
| Thailand        | 0.0%                                     | 2.2%  |
| Other Countries | 0.0%                                     | 2.2%  |
| Cash            | 3.0%                                     | N/A   |
|                 | 100.0%                                   | 100.0%  |

Source: Thomson Portfolio Analytics

Country Allocation as a % of Total Net Assets

\*Country Allocation is defined by the Company's primary country of operating risk and represents countries whose allocation in the Strategy or Index is 2% or more. Country allocations representing less than 2% are categorized in "Other" Countries.



| Company Name                               | Percentage | Line of Business  |
|--|------------|---|
| 1. Noble Group, Ltd.                       | 2.3%       | Global diversified natural resource merchant  |
| 2. Comba Telecom System Holdings, Ltd.     | 2.2%       | Leading provider of wireless solutions  |
| 3. Zhuzhou CSR Times Elec. Co., Ltd.       | 2.2%       | Manufactures & sells electrical systems & components relating to locomotive and rolling stock                     |
| 4. EVA Precision Industrial Holdings, Ltd. | 2.1%       | Leading provider of precision moldings used in the designing of office equipment, automobiles and home appliances |
| 5. Iluka Resources Limited                 | 2.1%       | Australian mining company of mineral sands and titanium minerals  |
| 6. PT Kalbe Farma Tbk                      | 2.0%       | Vertically integrated manufacturer of pharmaceutical products   |
| 7. YES BANK Limited                        | 1.9%       | Full service commercial and retail bank in India that offers a full range of financial services to its customers  |
| 8. Shriram Group                           | 1.8%       | Provides hire purchase finance for trucks in India  |
| 9. SJM Holdings Limited                    | 1.8%       | Operates casinos, hotels, and other tourist related facilities in Macau   |
| 10. China Lilang, Ltd.                     | 1.7%       | Manufactures & distributed men's clothing and markets them under its own two brands                               |

### 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 Asia Opportunities Fund Ten Largest Equity Holdings

(as of December 31, 2010)

Source: Thomson Portfolio Analytics

## Oberweis Asia Opportunities Fund Total Returns

(as of March 31, 2011)

|  | Quarter | 1-Year | 3-Year | Annualized Inception (2/1/08) |
|--|---------|--------|--------|-------------------------------|
| Oberweis Asia Opportunities Fund (OBAOX)             | -1.66%  | 10.15% | -0.74% | -3.61%                        |
| MSCI AC Asia Pacific Ex-Japan Small-Cap Growth Index | -1.26%  | 17.26% | 5.05%  | 4.93%                         |

The MSCI AC Asia Pacific ex-Japan Small-Cap Growth Index (Net) is a free float adjusted market capitalization index that is designed to measure the equity market performance of small cap growth developed and emerging markets in the Pacific region excluding Japan, with minimum dividends reinvested net of withholding tax.

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](http://oberweisfunds.com) for more 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](http://oberweisfunds.com) or call 800-323-6166. Read it carefully.



## Growth of \$10,000 invested

2/1/08 (with income reinvested)

