



Oberweis

Asset Management, Inc.

Dear Fellow Oberweis Funds Shareholder:

2011 was a challenging year for smaller-cap growth equities and The Oberweis Funds. Equity risk aversion rose markedly as investors increasingly fretted about the sovereign debt crisis in Europe. The combination of over-leveraged governments and political gridlock led to a sharp mid-summer sell-off for equities and a full-year decline in most countries. U.S. small-cap growth stocks, as measured by the Russell 2000 Growth Index, returned -2.91%. Micro-cap growth stocks returned -8.42%, as measured by the Russell Micro-Cap Growth Index.

International equities fared worse, as reflected by the -14.79% return in the MSCI World ex-US Small Cap Growth Index. China, which performed very well during the 2009-2010 period, ranked among the most challenging markets in 2011, as measured by the -33.25% return in the MSCI Zhong Hua Small Cap Growth Index. Similar to China, small companies in the rest of emerging Asia experienced contracting valuations, with the MSCI Asia ex-Japan Small Cap Growth Index returning -25.19%. Both the Asia Opportunities and International Opportunities Funds exceeded their benchmark indices, with the Asia Opportunities Fund outperforming by 884 basis points for the year. Still, no matter how one looks at it, 2011 was a tough year in international investing.

Previous concerns over high inflation in China gave way to new worries about slowing manufacturing and falling property prices. Additionally, Chinese equities essentially reflected the trials and tribulations of the Europeans, illustrating the important connection between China and Europe, its top export market. Notably, the outcome of slower growth was exactly the goal of the central government earlier in the year. Chinese policymakers tightened liquidity and restricted loan expansion to slow growth to more sustainable levels. By the end of November, the government reversed course and cut its bank reserve requirement ratio by 50 basis points in an admission that perhaps the pendulum had swung too far. That was the first sign of easing since 2008 amid slowing exports and industrial production. If China continues to ease monetary policy and if the situation in Europe stabilizes, Chinese equities will likely prove undervalued. The average P/E of the China Opportunities Fund is presently near its low since the inception of the fund. Based on the data we have to date, we believe China will experience slower growth in 2012 than in 2011, but perhaps faster than the consensus seems to be expecting, particularly if the government continues to ease monetary policy. Either way, we are confident growth in China is likely to be faster than that of the developed western world.

In contrast to the optimism that prevailed in early 2011, pessimism was pervasive as we entered 2012. Many investors have positioned portfolios defensively, as evidenced by record low yields on U.S. 30-year Treasury bonds. Similarly, non-cyclical stocks, which tend to be less economically sensitive to changes in economic growth, are trading at record valuation premiums relative to those that are cyclically exposed.

That pessimism is now consensus and, in our view, may prove overdone. A collapse of the Eurozone or a hard landing in China can be avoided if policymakers can unite to take corrective action. The latest rounds of economic data – particularly manufacturing related – have been reasonably good. The European Central Bank is moving – albeit slowly – to contain a growing credit crunch, and China appears to have begun a new easing cycle in terms of monetary policy.

History notes that times of immense uncertainty and exceeding pessimism have often worked out to be excellent opportunities to buy equities, although it sometimes takes time to play out. Rapidly growing small-cap stocks often experience sharp declines 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 declined to historically low valuations, 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 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.

Overall, we believe the risks associated with the economy appear to be offset by exceptionally attractive equity valuations. The average forward P/E ratio at the end of 2011 was 16.0 times for the Micro-Cap Fund, 17.8 times for the Emerging Growth Fund, 21.0 times for the Small-Cap Opportunities Fund, 13.7 times for the International Opportunities Fund, 11.1 times for the China Opportunities Fund, and 14.6 times for the Asia Opportunities Fund. The average P/E for China Opportunities is an astounding 27% less than a year ago. Remember, each of the Funds invests in companies with expected earnings growth substantially higher than that of the broader market. As of 12/31/11, the weighted average market capitalization was \$439 million for the Micro-Cap, \$1.1 billion for the Emerging Growth, \$1.4 billion for the Small-Cap Opportunities, \$1.4 billion for International Opportunities, \$2.0 billion for China Opportunities, and \$3.3 billion for Asia Opportunities.

We appreciate your investment in The Oberweis Funds and invite you to visit our website at www.oberweisfunds.com. If you have any questions about your account, please contact shareholder services at (800) 245-7311. Thank you for investing with us in The Oberweis Funds.

Sincerely,

A handwritten signature in cursive script that reads "James W. Oberweis".

James W. Oberweis, CFA
President & Portfolio Manager

Management Discussion on Fund Performance

Market Environment

Global equities declined 5.02% in 2011, as measured by the MSCI World Index. U.S. large company returns were slightly positive, with the S&P 500 returning 2.11% for the year. In contrast to 2009-2010, U.S. small-caps underperformed large caps in 2011, as seen by the -4.18% return for the Russell 2000 Index. Micro-Cap stocks fared poorly, as evidenced by a -9.27% return for the Russell Micro-Cap Index. Among small companies, growth stocks outperformed value stocks, with the Russell 2000 Growth Index returning -2.91% compared to the Russell 2000 Value Index return of -5.50%.

The global equity market experienced significant volatility in 2011. Strong gains early in the year amid a modest global economic recovery were ceded to the Japanese earthquake, which increased uncertainty and ignited fears of supply chain disruptions in Japan after radioactive leakage at the Fukushima nuclear plant. Unrest in the Middle East and Libya also drove crude oil prices higher. Still, equities initially appeared resilient and rebounded from their post-earthquake March lows, but then fell swiftly and sharply again after a ratings downgrade for U.S. treasuries by Standard and Poor's in July. Although U.S. large-cap stocks recovered from their mid-year losses by year-end, Asian and European stocks did not fare as well, primarily because the European debt crisis came back into focus in the later part of the year. In China, equities declined as investors shifted focus from a concern over high inflation to worries about a slowdown in manufacturing and dropping property prices.

Discussion of The Oberweis Funds

For the year ending December 31, 2011, the Oberweis Micro-Cap Fund declined 8.05%, the Emerging Growth Fund declined 11.56%, and the Small-Cap Opportunities Fund declined 3.88%. For comparison, the benchmark Russell 2000 Growth Index declined 2.91%.

Each of the domestic funds underperformed the Russell 2000 Growth Index in 2011. For the Micro-Cap Fund, stock selection in technology detracted from performance. At the stock level, Mistras, Hi-Tech Pharmacal, and Endologix were among the top contributors to performance, while Active Power, Imris, and Kemet were among the top detractors.

For the Emerging Growth Fund, stock selection in consumer discretionary and technology were the most significant detractors to performance. Green Mountain Coffee Roasters, RightNow Technologies, and Acacia Research were among the top contributors to performance, while Travelzoo, OpenTable, and Interactive Intelligence were among the top detractors.

For the Oberweis Small-Cap Opportunities Fund, favorable appreciation in the Fund's consumer staples and consumer discretionary holdings helped performance. Technology was the greatest detractor to Fund performance. At the stock level, Green Mountain Coffee Roasters, Vera Bradley, and Netlogic Microsystems were among the top

contributors to performance, while Axcelis Technologies, Perry Ellis, and Crocs were among the top detractors.

The Oberweis China Opportunities Fund returned -38.72% for the year ended December 31, 2011. For comparison, the MSCI China Small-Cap Growth Index returned -38.23% and the MSCI Zhong Hua Small Cap Growth Index returned -33.25%. The Oberweis China Opportunities Fund partially invests in American Depository Receipts (ADR's) whereas the benchmarks do not include ADR's. Spreadtrum Communications, Galaxy Entertainment, and Great Wall Motor were among the top contributors; Emperor Watch & Jewellery, China Yurun Food, and Sohu.com were among the top detractors.

The Oberweis Asia Opportunities Fund fared very well relative to its benchmark index in 2011, returning -16.35% for the year ended December 31, 2011. For comparison, the MSCI Asia ex-Japan Small Cap Growth Index returned -25.19%. Favorable stock selection in consumer discretionary and information technology contributed to 2011 relative outperformance. Iluka Resources, Gree, and Sanrio were among the top contributors, while China Zhengtong Auto Services, Lynas, and GCL-Poly Energy were among the top detractors.

The Oberweis International Opportunities Fund slightly outperformed its benchmark, returning -14.50% for the year ended December 31, 2011 versus -14.79% for the MSCI World ex-US Small Cap Growth Index. At the stock level, Duerr, Lululemon Athletica, and Hamworthy were among the top contributors to performance; International Personal Finance, Calsonic Kansei, and Faurecia were among the top detractors.

The portfolio turnover rates were 62% for the Micro-Cap Fund, 85% for the Emerging Growth Fund, 129% for the Small Cap-Cap Opportunities Fund, 107% for the China Opportunities Fund, 188% for the Asia Opportunities Fund, and 257% for the International Opportunities Fund. The net expense ratios of the six Funds were 1.91% for Micro-Cap, 1.47% for Emerging Growth, 2.00% for Small-Cap Opportunities, 2.08% for China Opportunities, 2.49% for Asia Opportunities, and 1.60%¹ for International Opportunities.

For current performance information please visit www.oberweisfunds.com².

¹ Effective May 1, 2011, the Fund's maximum annual expense ratio was reduced to 1.60%. This revised expense reimbursement arrangement will continue in force until at least April 30, 2012. The net expense ratio for OBIOX for the 12 months ending December 31, 2011 was 1.89% which reflects a blend of both old and new expense reimbursement arrangements.

² Foreign investments involve greater risks than U.S investments, including political and economic risks and the risk of currency fluctuations.