

2Q20 Quarterly Commentary
Portfolio Managers: John O. Barr & Christopher J. Retzler

Investment Style: Mid Cap Growth

MARKET REVIEW

- In 2Q20, U.S. equities rallied from their worst quarter since 2008; S&P 500 returned 20.54%; Russell 2000 returned 25.42%. YTD at June 30, the S&P 500 returned -3.08%; Russell 2000 returned -12.98%.
- The March 23 market bottom was coincident with the Fed's announcement of unlimited quantitative easing and the House's passage of The CARES Act. The S&P 500 returned 41.28% since this bottom through June 30.
- The U.S. healthcare system held up to a peak of hospitalizations in mid-April. The world's ability to adapt to COVID-19 has steadily improved.
- 1Q20 earnings and 2Q20 guidance were better than expected.
- During the quarter, low leverage and high quality factors outperformed, while small size, low volatility, high yield and value factors underperformed.¹ The top industry contributors were software and tech hardware.²

PORTFOLIO REVIEW

- In 2Q20 and year-to-date, the Fund significantly outperformed, due to almost all of its top holdings outperforming their sectors. The Fund's overweight in information technology and its underweights in consumer staples, financials, energy, retail and utilities were all contributors to performance.³
- The Fund's Institutional (NEEIX) and Retail classes (NEEGX) returned 30.81% and 30.69%, respectively, in 2Q20. YTD as of June 30, NEEIX returned 6.47% and NEEGX returned 6.19%, considerably outperforming the S&P 500's -3.08% YTD results.
- The Fund's four largest positions - PDF Solutions Inc. (PDFS), CarMax, Inc. (KMX), Entegris Inc. (ENTG) and Thermo Fisher Scientific, Inc. (TMO) - were its top four contributors and all outperformed their sectors. PDF Solutions and Entegris provide technology for advanced semiconductor manufacturing. CarMax hit a 9-year low in March, rebounding in the quarter as investors recognized the resilience of its online and in-store business model.
- Thermo Fisher reported better than expected spending from its life science research customer base.
- The top ten holdings represented 55.63% of net assets and nine of the top ten holdings outperformed their sectors in the second quarter.
- None of the Fund's positions were material detractors in 2Q20.

TOP TEN HOLDINGS	% OF NET ASSETS
Thermo Fisher Scientific, Inc.	8.72%
PDF Solutions, Inc.	8.06%
CarMax, Inc.	6.39%
Entegris, Inc.	6.26%
Gilead Sciences, Inc.	5.62%
Vicor Corp.	4.65%
KVH Industries, Inc.	4.38%
Becton Dickinson & Co.	4.11%
Comcast Corp. - Class A	3.96%
Super Micro Computer, Inc.	3.48%
Total	55.63%

THE OPPORTUNITY

- We target companies we perceive to have significant, unrecognized growth opportunities. COVID-19 is hastening revolutionary development in technology and life sciences that will improve our quality of life. The Fund is a long-term investor in companies that build the infrastructure necessary to bring these developments to market.
- For years, we have been underweight financials, utilities, commodity and consumer-facing companies. We believe the underlying technology infrastructure is less vulnerable to economic cycles.
- The Fund's greater-than-benchmark exposure to high quality stocks ([defined by Morningstar](#) to include profitability and moderate leverage) was helpful for the Fund's performance this quarter. We seek current and growing profitability and sound balance sheets in stocks we hold, and believe that during a time of significant uncertainty this may continue to provide benefits for our shareholders.

- 1 - FTSE Russell. *Market Maps Monthly Performance Report*, June 2020.
 2 - FTSE Russell. *Market Maps Monthly Performance Report*, June 2020.
 3 - FactSet, Top Down Attribution, Portfolio Analysis 3.0.

AVERAGE ANNUAL RETURNS AS OF 6/30/20

	3 MO	YTD	1YR	3YR	5YR	10YR	SINCE INCEPT.
Needham Growth Fund Inst Class**	30.81%	6.47%	21.11%	12.79%	8.83%	12.06%	13.16%
After Taxes on Distributions	30.81%	6.47%	18.07%	9.81%	6.57%	10.46%	11.74 %
After Taxes on Distributions & Redemptions	18.24%	3.83%	14.21%	9.41%	6.47%	9.69%	11.22%
Needham Growth Fund Retail Class	30.69%	6.19%	20.47%	12.19%	8.30%	11.55%	12.67%
After Taxes on Distributions	30.69%	6.19%	17.39%	9.20%	6.03%	9.94%	11.25%
After Taxes on Distributions and Redemptions	18.17%	3.67%	13.86%	8.95%	6.09%	9.26%	10.77%
S&P 500 Index	20.54%	-3.08%	7.51%	10.73%	10.73%	13.99%	7.64%
S&P 400 Index	24.07%	-12.78%	-6.70%	2.39%	5.22%	11.34%	10.50%
Russell 2000 Index	25.42%	-12.98%	-6.63%	2.01%	4.29%	10.50%	7.61%

The Needham Growth Fund inception date is 1/1/96.

**Performance for any periods prior to the inception date of Institutional Class Shares are based on the historical performance of the Retail Class Shares adjusted to assume the expenses associated with Institutional Class Shares.

The Needham Growth Fund's Gross Expense Ratio is 2.01% for the Retail Class and 1.73% for the Institutional Class. The Needham Growth Fund's Net Expense Ratio is 1.98% for the Retail Class and 1.43% for the Institutional Class. The Net Expense Ratio reflects a contractual agreement by the Fund's investment adviser to waive its fee and/or reimburse the Fund through May 1, 2021 to the extent the Gross Expense Ratio exceeds 1.95% and 1.40% of the average daily net assets of Retail Class Shares and Institutional Class Shares (Expense Cap). The Expense Cap excludes taxes, interest, brokerage, dividends on short positions, fees and expenses of "acquired funds," extraordinary items and shareholder redemption fees but includes the management fee.

Fact Sheet Link: [Needham Growth Fund](#)

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All three of the Needham Funds have substantial exposure to small and micro capitalized companies. Funds holding smaller capitalized companies are subject to greater price fluctuation than those of larger companies.

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Portfolio holdings are subject to change.

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