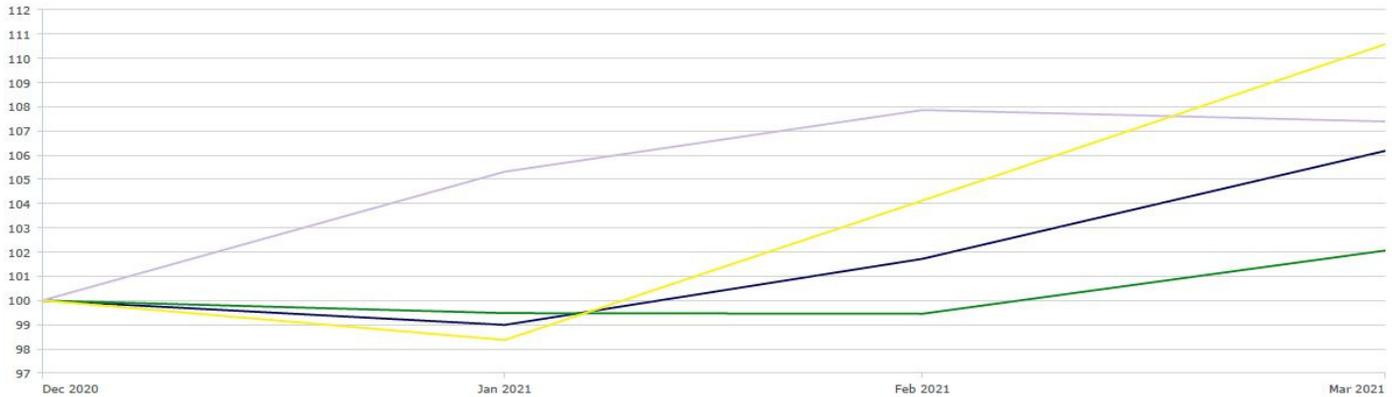


MARKET REVIEW

- In 1Q21, the S&P 500 returned 6.17%. There was a significant rotation out of growth into value late in the quarter - the S&P 500 Value Index returned 10.58% in Q1 while the S&P 500 Growth Index finished up 2.06%.



	RETURN
S&P 500 Value (NTR)	10.58
Needham Growth Institutional	7.39
S&P 500 Growth (NTR)	2.06
S&P 500	6.17

Source: Zephyr Informais

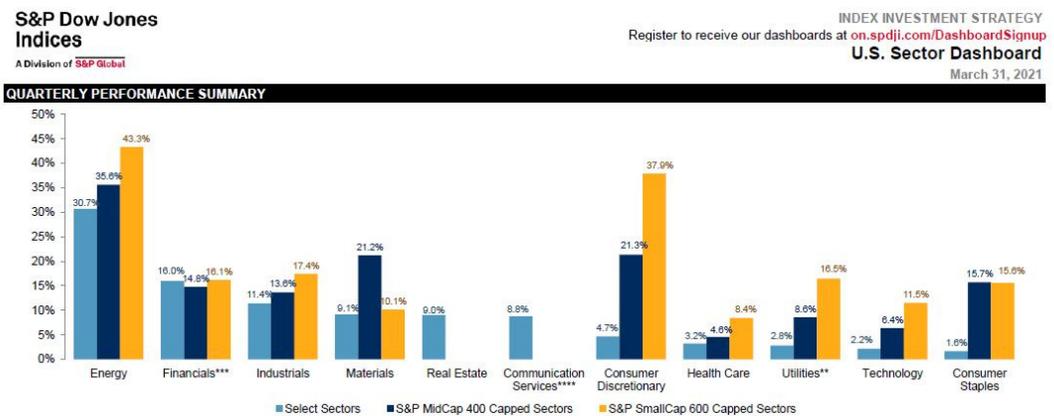
MACRO OBSERVATIONS

- We believe accommodative policies have long provided tailwind for equities. In the “Semi-Annual Report on Monetary Policy to the Senate,” Fed. Reserve Chairman Powell said, “following periods when inflation has been running below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time...we will continue to increase our holdings of Treasury securities and agency mortgage-backed securities at least at their current pace...The economy is a long way from our employment and inflation goals, and it is likely to take some time for substantial further progress to be achieved.”¹

- In 1Q21, top-performing industries were energy, materials, financials and consumer discretionary.

The market is anticipating recovery from the pandemic recession as vaccinations, which started in mid-December, have now reached over 30% of the US population.²

1Q21 TOP-PERFORMING INDUSTRIES



- In mid-March, the \$1.9T American Rescue Plan Act became law. Congress and the Biden Administration quickly turned to consideration of a \$2.5 trillion infrastructure bill. The Administration plans to raise taxes in the fall. It’s possible that \$4.4T of stimulus spending may push the equity markets higher despite the pending tax increases.³

IMPACTS ON PORTFOLIO PERFORMANCE

- The Fund's Institutional (NEEIX) and Retail classes (NEEGX) returned 7.39% and 7.30%, respectively, in 1Q21, outperforming the S&P 500's 6.17% and underperforming the Russell 2000's 12.70%.
- For the 2nd quarter in a row, the Fund's greater-than-benchmark exposure to high quality and low exposure to value factors hurt the Fund's relative performance.⁴ It was value's largest outperformance vs. growth in 2 decades.⁵
- The Fund's 1Q21 outperformance relative to the S&P 500 was the result of being invested in outperforming consumer discretionary and technology stocks.
- At 15% turnover, the Fund does not rotate in or out of sectors, but invests in companies we believe can outperform over the long-term.
- The Fund's top 3 contributors were CarMax, Inc. (KMX), Entegris Inc. (ENTG), and Aspen Aerogels Inc. (ASPN). The market sees CarMax as a beneficiary of a reopening economy. We see it as the long-term winner in the multi-channel, previously-owned car market. Entegris benefited from the big semiconductor industry news described below. Aspen Aerogels rose as the market began to better understand its opportunity as a supplier of thermal protection insulation to the electric vehicle battery market. Aspen's products can prevent thermal runaway in lithium-ion EV batteries.
- PDF Solutions, Inc. (PDFS) was the leading detractor in 1Q21. We believe PDF is well-positioned to be the leading, big data analytics supplier to the semiconductor industry.

LOOKING AHEAD & OPPORTUNITIES

- Big news in the semiconductor industry - We've long felt the semiconductor industry has moved beyond a cyclical, PC-driven industry to one of strategic importance. In March, Intel Corp. (INTC) announced plans to invest \$20B in new plants in Arizona. In early April, Taiwan Semiconductor Manufacturing Co., Ltd. (TSM) announced it will spend \$100B of capex over 3 years. Also, the Biden Administration's proposed a \$2.5T infrastructure bill includes \$50B for the semiconductor industry. All of these investments will require advanced semiconductor manufacturing equipment.
- We have more invested dollars behind this theme than any other in the portfolio. At March 31, 2021, 31.8% of Needham Growth Fund's net assets were invested in semiconductor and semiconductor equipment companies.
- The Fund targets investments we perceive to have significant, unrecognized growth opportunities. COVID-19 is hastening revolutionary development in technology and life sciences; the Fund is a long-term investor in companies that enable the research and manufacturing to bring these developments to market. Semiconductor manufacturing is an important example.
- Greater-than-benchmark exposure to high quality stocks might position the Fund for outperformance in future periods of market weakness.

1- <https://www.federalreserve.gov/newsevents/testimony/powell20210223a.htm>

2- <https://www.npr.org/sections/health-shots/2021/01/28/960901166/how-is-the-covid-19-vaccination-campaign-going-in-your-state>

3- <https://www.statista.com/chart/24395/composition-of-the-american-rescue-plan-act/>

4 - <https://www.morningstar.com/funds/xnas/neagx/portfolio>

5 - https://on.spdji.com/rs/838-LDP-483/images/dashboard-sp-500-factor-2021-03.pdf?mkt_tok=ODM4LUxEUC00ODMAAAF8LZpNDm5JAptod3ony9ed5LobGYtWkGHjXk0Q41dIszR0rA90o3dSkah2qdbaki_b19SZh1zyGR6aotqCxSztuqExC7lpjblLiFNKYgC

https://on.spdji.com/rs/838-LDP-483/images/dashboard-sp-500-factor-2021-03.pdf?mkt_tok=ODM4LUxEUC00ODMAAAF8LZpNDm5JAptod3ony9ed5LobGYtWkGHjXk0Q41dIszR0rA90o3dSkah2qdbaki_b19SZh1zyGR6aotqCxSztuqExC7lpjblLiFNKYgC

Average Annual Returns as of 3/31/21. 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.

	3 MO	YTD	1YR	3YR	5YR	10YR	SINCE INCEPT.
Needham Growth Fund Inst Class**	7.39%	7.39%	87.68%	25.77%	18.88%	12.45%	14.37%
After Taxes on Distributions	7.39%	7.39%	84.98%	22.71%	16.42%	10.68%	12.91%
After Taxes on Distributions & Redemptions	4.38%	4.38%	53.14%	19.53%	14.48%	9.71%	12.25%
Needham Growth Fund Retail Class	7.30%	7.30%	86.96%	25.14%	18.31%	11.94%	13.88%
After Taxes on Distributions	7.30%	7.30%	84.21%	22.05%	15.82%	10.17%	12.41%
After Taxes on Distributions and Redemptions	4.32%	4.32%	52.74%	19.01%	13.99%	9.27%	11.79%
S&P 500 Index	6.17%	6.17%	56.35%	16.78%	16.29%	13.91%	9.72%
S&P 400 Index	24.37%	13.66%	13.66%	8.45%	12.35%	11.51%	11.89%
Russell 2000 Index	12.70%	12.70%	94.85%	14.76%	16.35%	11.68%	9.48%

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](#) [Prospectus Link](#)

The information presented in this commentary is not intended as personalized investment advice and does not constitute a recommendation to buy or sell a particular security or other investments.

This message is not an offer of the Needham Growth Fund, the Needham Aggressive Growth Fund or the Needham Small Cap Growth Fund. Shares are sold only through the currently effective prospectus. Please read the prospectus or summary prospectus and consider the investment objectives, risks and charges and expenses of the Funds carefully before you invest. The prospectus and summary prospectus contain this and other information about the Funds and can be obtained on our website, www.needhamfunds.com.

Investment returns and principal value will fluctuate, and when redeemed, shares may be worth more or less than their original cost. Performance data quoted represents past performance, and does not guarantee future results. Current performance may be higher or lower than these results. Performance current to the most recent month-end may be obtained by calling our transfer agent at 1-800-625-7071. Total return figures include reinvestment of all dividends and capital gains.

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.

Needham & Company, LLC, member FINRA/SIPC, is the distributor of The Needham Funds, Inc.

Portfolio holdings are subject to change. Needham Growth Fund's ownership as a percentage of net assets in the stated securities as of 3/31/21: KMX: 6.26%; ASPN: 5.79%; ENTG: 7.99%; PDFS: 5.32%.

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