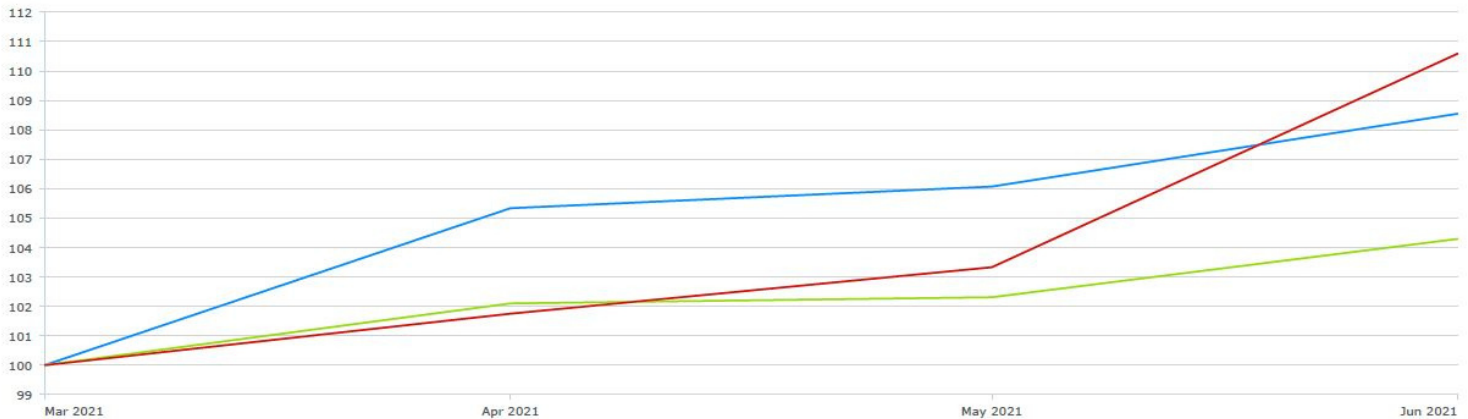


## MARKET REVIEW

- In 2Q21, Russell 2000 returned 4.29% and the S&P 500 returned 8.55%.



	CUMULATIVE RETURN
Needham Aggressive Growth Institutional	10.59
Russell 2000	4.29
S&P 500	8.55

Source: Zephyr Informais

## MACRO OBSERVATIONS

- 10-year U.S. Treasury rates fell from 1.75% to 1.5% after a one-year increase from near 1.0%. The decrease helped equities in the second quarter.<sup>1</sup>
- Inflation - Oil rose 18.1% and a basket of other commodities increased 9.4% in Q2. Core CPI rose 0.7% month-over-month in May and 0.9% in April.<sup>2</sup> Labor and inventory shortages and supply chain disruptions are prevalent, supporting the idea that this inflation is temporary as economies recover from COVID-19 shutdowns.
- On inflation - We note that Milton Friedman said, “Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.”
- At the June 17, Federal Reserve Board Meeting Chairman Powell said, “You can think of this meeting that we had as the ‘talking about talking about’ meeting,” in consideration of a future increase in interest rates.<sup>3</sup> Other than Paul Volcker, we believe that Federal Reserve Board Governors have a history of accommodative policies which have long provided a tailwind for equities and are unlikely to change.
- In 2Q21, top-performing industries were technology, energy, and healthcare. The post-pandemic recovery is underway. Approximately 2/3 of U.S. adults are now fully vaccinated.

## IMPACTS ON PERFORMANCE

- The Fund's Institutional (NEAIX) and Retail classes (NEAGX) returned 10.59% and 10.41% respectively in 2Q21, outperforming the S&P 500 and the Russell 2000.
- The Fund's 2Q21 outperformance, relative to the Russell 2000, was a result of stock selection. The Fund's leading contributors were in the industrial, industrial technology, and technology sectors. Most of these holdings have insignificant weightings in the Russell 2000. The Fund's lack of exposure to the underperforming financial sector was also a minor contributor to performance.
- The Fund's top 3 contributors were Smith-Midland Corporation (SMID), Aspen Aerogels Inc. (ASPN), and Vicor Corporation (VICR). Smith-Midland manufactures concrete road barriers. It has strong growth in its high-margin barrier rental and licensing businesses. Aspen Aerogels manufactures aerogel-based insulation; in October, it announced a contract to supply its Pyrothin™ thermal barriers to a major North American automobile manufacturer to prevent thermal runaway in Lithium-ion batteries for Electric Vehicles (EVs). Vicor supplies power conversion devices, which reduce power consumption in data centers and other markets, including for EVs.
- MKS Instruments Inc. (MKS) and Form Factor Inc. (FORM) were the top detractors although their losses were small relative to the top contributors.
- With the decline in interest rates, growth factors outperformed for the first time in 3 quarters. The Fund's outperformance was supported by its greater-than-benchmark exposure to quality and growth factors and low exposure to value factors.<sup>4 5</sup>
- With 11% turnover, the Fund does not rotate into or out of sectors, but invests in companies we believe can outperform over the long-term.

## LOOKING AHEAD & OPPORTUNITIES

- Many of our top small-cap portfolio holdings have made multi-year investments that we believe position them to deliver growth and positive returns over the next few years. We believe if these investments succeed, they could provide a hedge to macroeconomic factors such as inflation.
- Vicor, PDF Solutions Inc. (PDFS), Aspen Aerogels, KVH Industries Inc. (KVHI), Super Micro Computer Inc. (SMCI), GSE Systems, Inc. (GVP), and Oil-Dri Corporation (ODC) are some of the Fund's major holdings making such investments.
- We are also optimistic about the short- and long-term opportunities in the semiconductor manufacturing equipment industry, which represents about one-third of the Fund's investments.
- The Fund targets investments we perceive to have significant, unrecognized growth opportunities. COVID-19 hastened the 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, 2 - FTSE Russell Monthly Performance Report USD, June 2021

3- <https://www.cnn.com/2021/06/16/fed-holds-rates-steady-but-raises-inflation-expectations-sharply-and-makes-no-mention-of-taper.html>

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

5 - [https://on.spdji.com/rs/838-LDP-483/images/dashboard-sp-500-factor-2021-06.pdf?mkt\\_tok=ODM4LUxEUC00ODMAAAF-G8XApoF01ze4WWdmrea8AiVw05hdzcYkfiPdIkLPdBDPxEukCJ374IxUpTsdKzuQC1cXm9AQrKpwGqrC1eR0Kg2rqppzcW-QOdzRWGExu](https://on.spdji.com/rs/838-LDP-483/images/dashboard-sp-500-factor-2021-06.pdf?mkt_tok=ODM4LUxEUC00ODMAAAF-G8XApoF01ze4WWdmrea8AiVw05hdzcYkfiPdIkLPdBDPxEukCJ374IxUpTsdKzuQC1cXm9AQrKpwGqrC1eR0Kg2rqppzcW-QOdzRWGExu)

Average Annual Returns as of June 30, 2021. The Needham Aggressive Growth Fund inception date is 9/4/01.

\*\*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 Aggressive Growth Fund Inst Class**	10.59%	18.59%	59.96%	27.58%	23.94%	14.92%	12.70%
After Taxes on Distributions	10.59%	18.59%	58.41%	24.82%	21.65%	13.45%	11.62%
After Taxes on Distributions & Redemptions	6.27%	11.01%	36.10%	20.91%	18.73%	11.92%	10.68%
Needham Aggressive Growth Fund Retail Class	10.41%	18.21%	58.82%	26.82%	23.22%	14.27%	12.07%
After Taxes on Distributions	10.41%	18.21%	57.24%	24.03%	20.92%	12.79%	11.00%
After Taxes on Distributions and Redemptions	6.16%	10.78%	35.45%	20.28%	18.11%	11.35%	10.10%
Russell 2000 Index	4.29%	17.54%	62.03%	13.52%	16.47%	12.34%	9.86%
S&P 500 Index	8.55%	15.25%	40.79%	18.67%	17.65%	14.84%	9.10%

The Needham Aggressive Growth Fund's Gross Expense Ratio is 1.96% for the Retail Class and 1.71% for the Institutional Class. The Needham Aggressive Growth Fund's Net Expense Ratio is 1.85% for the Retail Class and 1.18% 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 April 30, 2022, to the extent the Gross Expense Ratio exceeds 1.85% and 1.18% 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 Aggressive Growth Fund Prospectus Link](#)

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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.*

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Portfolio holdings are subject to change. Needham Aggressive Growth Fund's ownership as a percentage of net assets in the stated securities as of 6/30/21: SMID: 3.67%; ASPN: 6.02%; VICR: 9.17%; MKSI: 4.43%; PDFS: 6.86%; KVHI: 5.14%; GVP: 2.10%; ODC: 1.54%.

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