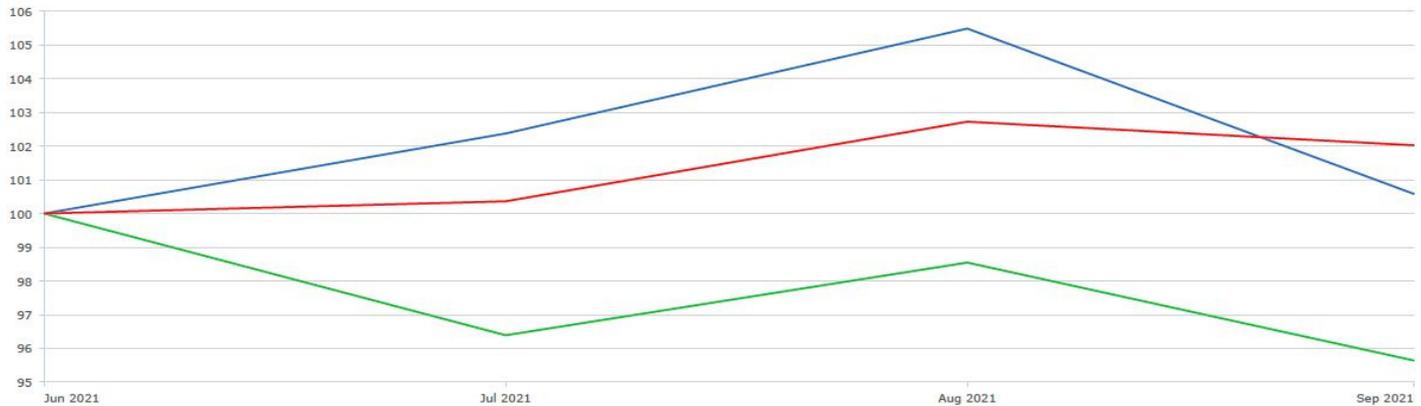


MARKET REVIEW

- In 3Q21, the Russell 2000 returned -4.36%, and the S&P 500 returned 0.58%. The market was particularly weak in late September, after the Federal Open Market Committee Statement. YTD as of September 30, 2021, the Russell 2000 returned 12.41%, and the S&P 500 returned 15.92%.



	RETURN
Needham Aggressive Growth Institutional	2.02
S&P 500	0.58
Russell 2000	(4.36)

Source: Zephyr Informais

MACRO OBSERVATIONS

- 10-year U.S. Treasury rates rose 35 bps from their August 2 low to end the quarter where they started at 1.5%.¹
- Inflation – crude oil rose 4.5% in the quarter, resulting in a 51.7% YTD increase. Copper fell 4.4%, and CPI growth slowed to 0.1% in August.² Labor and inventory shortages (including semiconductors) and supply chain disruptions remain prevalent.
- On September 22, the Federal Reserve wrote, “If progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted.”³ Other than Paul Volcker, we believe that Federal Reserve Board Governors have a history of accommodative policies that have long provided a tailwind for equities and are unlikely to change.
- In 3Q21, top-performing industries were technology, medical equipment and services, and financials.
- For the quarter, quality factors slightly outperformed, while the small-cap factor was the most significant detractor. In late September, value factors outperformed.⁴ For the year, value has been the leading factor, while momentum is the top detractor.

IMPACTS ON PERFORMANCE**3Q21 Quarterly Commentary**

- The Fund's Institutional (NEAIX) and Retail classes (NEAGX) returned 2.02% and 1.85% respectively in 3Q21, outperforming the Russell 2000's -4.36%. YTD as of September 30, NEAIX returned 20.99%, and NEAGX returned 20.39%, outperforming the Russell 2000's 12.41%. (The Fund's standardized performance is on page 3.)
- The Fund's 3Q21 outperformance was a result of stock selection and the strong performance from concentrated positions in Aspen Aerogels Inc. (ASPN), Vicor Corporation (VICR), and PDF Solutions, Inc. (PDFS). These companies have insignificant weightings in the Russell 2000.
- The Fund has a high quality factor, and quality factors outperformed in 3Q21.⁵
- Lack of exposure to the financial sector was a minor detriment to the Fund's performance. Smith-Midland Corporation (SMID) and KVH Industries (KVHI) were the leading detractors.
- 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.

PORTFOLIO CHANGES

- We added thredUP, Inc. (TDUP) and TPG Pace Solution Corp. (TPGS) as new investments. thredUP sells lightly-used clothes to consumers and is part of the circular economy. TPG Pace is a SPAC that announced a merger with Vacasa, the vacation property management company. We have known Vacasa for years and wrote about it in [Growth Factor Vol. 29](#) in 2018.
- We took advantage of market weakness to more than double the Fund's positions in Sharps Compliance Corp. (SMED), ACV Auctions, Inc. Class A (ACVA), and Parsons Corporation (PSN).
- The Fund's only sales were to exit its four smallest positions.

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 that if these investments succeed, they could provide a hedge to macroeconomic factors such as inflation.
- Vicor, PDF Solutions Inc., Aspen Aerogels, KVH Industries Inc., Super Micro Computer Inc. (SMCI), GSE Systems, Inc. (GVP), Oil-Dri Corporation (ODC), and Telcos Corp. (TLS) are some of the Fund's significant holdings with such plans.
- The Fund targets investments that 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- <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2021>
 2- https://research.ftserussell.com/products/downloads-research/FTSE_Russell_Monthly_Performance_Report_LCY.pdf
 3 - <https://www.federalreserve.gov/newsevents/pressreleases/monetary20210922a.htm>
 4- https://research.ftserussell.com/products/downloads-research/FTSE_Russell_Monthly_Performance_Report_LCY.pdf
 5 - <https://www.morningstar.com/funds/xnas/neagx/portfolio>

Average Annual Returns as of September 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**	2.02%	20.99%	47.99%	29.61%	22.21%	18.80%	12.64%
After Taxes on Distributions	2.02%	20.99%	46.56%	26.81%	19.95%	17.28%	11.58%
After Taxes on Distributions & Redemptions	1.20%	12.43%	28.95%	22.55%	17.22%	15.44%	10.64%
Needham Aggressive Growth Fund Retail Class	1.85%	20.39%	46.96%	28.83%	21.49%	18.13%	12.01%
After Taxes on Distributions	1.85%	20.39%	45.49%	26.00%	19.21%	16.60%	10.95%
After Taxes on Distributions and Redemptions	1.09%	12.07%	28.35%	21.91%	16.60%	14.83%	10.06%
Russell 2000 Index	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%	9.48%
S&P 500 Index	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%	9.02%

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](#)

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 Aggressive Growth Fund's ownership as a percentage of net assets in the stated securities as of 9/30/21: ASPN: 8.28%; VICR: 10.41%; PDFS: 7.78%; SMID: 2.23%; KVHI: 3.60%; TDUP: 1.03%; TPGS: 0.76%; SMED: 1.64%; ACVA: 1.21%; PSN: 1.02%; SMCI: 2.40%; GVP: 1.82%; ODC: 1.39%; TLS: 0.84%.

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