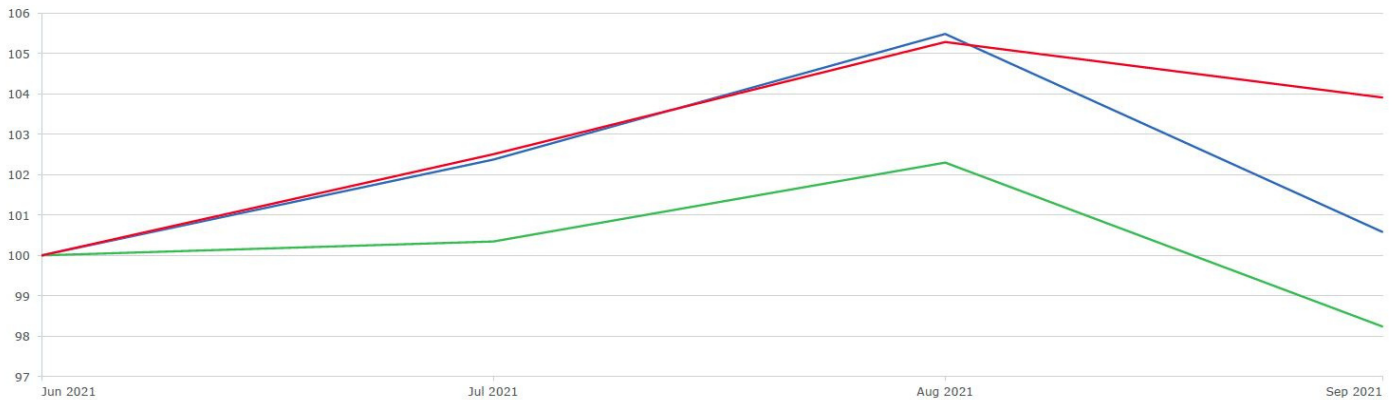


3Q21 Quarterly Commentary

Portfolio Managers: John O. Barr & Christopher J. Retzler
Investment Style: Mid Cap Growth

MARKET REVIEW

- In 3Q21, the S&P 500 returned 0.58% and the S&P 400 MidCap Index returned -1.76%. The market was particularly weak in late September, after the Federal Open Market Committee Statement. YTD as of September 30, 2021, the S&P 500 returned 15.92% and the S&P 400 MidCap returned 15.52%



	RETURN
■ Needham Growth Institutional	3.91
■ S&P 500	0.58
■ S&P 400	(1.76)

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.

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IMPACTS ON PORTFOLIO PERFORMANCE

- The Fund's Institutional (NEEIX) and Retail classes (NEEGX) returned 3.91% and 3.81% respectively in 3Q21, outperforming the S&P 500's 0.58% and the S&P 400 MidCap's -1.76%. (The Fund's standardized performance is on p. 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), PDF Solutions, Inc. (PDFS), and Thermo Fisher Scientific, Inc. (TMO). These companies have small weightings in the indices relative to our positions. Aspen Aerogels was by far the top contributor.
- The Fund has a high quality factor, and quality factors outperformed in 3Q21.⁵
- KVH Industries (KVHI) was the only significant detractor, and its loss was less than each of the contributors mentioned above. Many holdings with higher valuations were detractors 3Q21.
- With 14% 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 did not add any new positions during the quarter. We took advantage of market weakness to add to several holdings. The most significant additions were to Big Commerce Holdings Inc. (BIGC), G1 Therapeutics, Inc. (GTHX), and Parsons Corporation (PSN).
- The Fund exited three small positions. We trimmed the position in Thermo Fisher Scientific, Inc (TMO) and cut the Datadog, Inc. Class A (DDOG) position by over half.

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.
- Aspen Aerogels, FormFactor, Inc. (FORM), KVH Industries Inc., PDF Solutions, Inc. (PDFS), Super Micro Computer Inc. (SMCI), Telos Corp. (TLS), and Vicor (VICR) are some of the Fund's significant holdings with such plans.
- We are also optimistic about the Fund's short- and long-term opportunities in semiconductor manufacturing technology.
- 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/neeix/risk>

Average Annual Returns as of 9/30/21. 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**	3.91%	19.89%	46.76%	27.99%	19.93%	17.27%	14.56%
After Taxes on Distributions	3.91%	19.89%	44.65%	24.88%	17.45%	15.42%	13.12%
After Taxes on Distributions & Redemptions	2.32%	11.78%	28.41%	21.16%	15.23%	13.93%	12.42%
Needham Growth Fund Retail Class	3.81%	19.54%	46.20%	27.37%	19.35%	16.74%	14.07%
After Taxes on Distributions	3.81%	19.54%	44.05%	24.22%	16.85%	14.89%	12.63%
After Taxes on Distributions and Redemptions	2.25%	11.57%	28.10%	20.64%	14.73%	13.46%	11.96%
S&P 500 Index	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%	9.90%
S&P 400 Index	-1.76%	15.52%	43.68%	11.08%	12.97%	14.72%	11.72%
Russell 2000 Index	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%	9.27%

The Needham Growth Fund's Gross Expense Ratio is 1.85% for the Retail Class and 1.58% for the Institutional Class. The Needham Growth Fund's Net Expense Ratio is 1.85% for the Retail Class and 1.40% 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 1.95% 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](#)

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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.

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Portfolio holdings are subject to change. Needham Growth Fund's ownership as a percentage of net assets in the stated securities as of 9/30/21: ASPN: 11.56%; VICR: 5.50%; PDFS: 6.00%; TMO: 6.84%; KVHI: 2.59%; BIGC: 0.91%; GTHX: 0.46%; PSN: 0.66%; DDOG: 0.30%; FORM: 2.85%; SMCI: 1.75%; TLS: 0.85%.

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