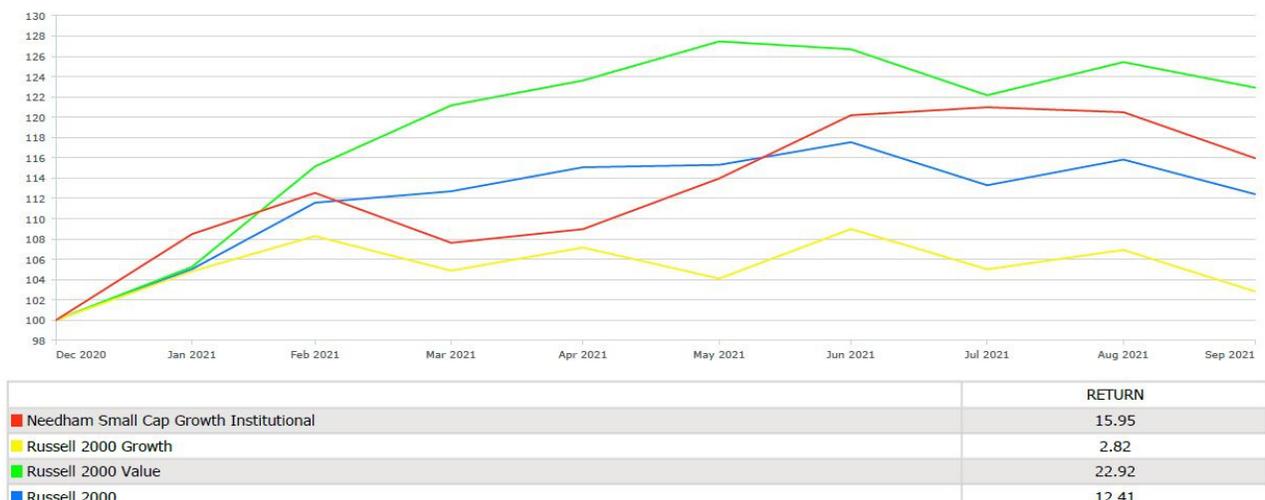


MACRO OBSERVATIONS

- Wage pressure, logistics and transportation, higher commodity prices, and supply chain constraints have hampered earnings and forward guidance for many companies. Continued impacts from the global pandemic in developing countries have also exacerbated supply issues, as many suppliers and manufacturers are in these countries. We expect to see some of these risks and pressures begin to alleviate in 2022.
- Semiconductor shortages have had widespread negative implications for many end markets, including automotive, medical, industrial, and defense. However, product demand remains robust, which gives us confidence that we will see a recovery in 2022. Semiconductor shortages should remain elevated for an extended period, and this supports our bullish investment thesis in semiconductor capital equipment stocks.
- These business interruptions have negatively impacted global growth while simultaneously supporting persistent inflationary pressures. We expect inflation to remain elevated in 2022 but expect a reduction in the inflation rate after that, as economic activity normalizes from the pandemic aftershocks.
- Small-cap value stocks, specifically the energy and financial sectors, have outperformed relative to growth stocks. As an asset class, small-cap growth stocks have been under selling pressure since the highs set in February 2021.

YTD SMALL CAP PERFORMANCE AS OF 9/30/21



Source: Informa Intelligence, Inc.

IMPACTS ON PORTFOLIO PERFORMANCE

- The Fund's Institutional (NESIX) and Retail classes (NESGX) returned -3.53% and -3.69%, respectively, in 3Q21, outperforming the Russell 2000 Index -4.36%. YTD as of September 30, NESIX returned 15.95%, and NESGX returned 15.35%, exceeding the Russell 2000's 12.41%. (Standardized performance on p. 3.)
- The Fund's 3Q21 performance was a result of the continued contribution from Aspen Aerogels Inc. (ASPN), PDF Solutions Inc (PDFS), Fluidigm Corp. (FLDM), and the announced acquisition of Cornerstone OnDemand Inc (CSOD) by Clearlake Capital Group at a 31% premium.
- Intevac Inc (IVAC) was the largest detractor in the quarter as its military business opportunity has faced significant delays. The Fund's other significant detractor was medical aesthetics company Sientra Inc. (SIEN), as the surge in the COVID-19 Delta variant in the U.S. delayed elective and oncology surgeries.

PORTFOLIO CHANGES

- We added two well-known semiconductor capital equipment companies to the portfolio - Brooks Automation Inc (BRKS) and Advanced Energy Industries Inc (AEIS).
- We also added positions in two regional financial institutions as a hedge to a steepening yield curve and higher inflationary risks.
- We exited many smaller positions to limit the number of portfolio holdings to below 45 positions and redeployed the capital into our concentrated best ideas.

OUTLOOK

- We are actively evaluating how company management teams performed throughout these volatile times and the ability of their business models to defend market share, maintain pricing power, and generate cash flow.
- Many variables impacting investor sentiment should become clearer as the fiscal spending packages in Washington, DC, are completed before year-end. The removal of uncertainty is generally a positive outcome for risk assets.
- The Federal Reserve should also provide clarity on its near-term market actions. The Fed has historically been highly accommodative, and we expect its approach to continue supporting risk assets. However, we will carefully evaluate the risk of multiple compression to equities if tapering is introduced.

Average Annual Returns as of 9/30/21. The Needham Small Cap Growth Fund inception date is 5/22/02.

**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 Small Cap Growth Fund Inst Class**	-3.53%	15.95%	58.33%	37.64%	29.19%	20.19%	15.05%
After Taxes on Distributions	-3.53%	15.95%	49.40%	31.70%	24.53%	17.52%	13.12%
After Taxes on Distributions & Redemptions	-2.09%	9.44%	33.04%	26.91%	21.35%	15.71%	12.21%
Needham Small Cap Growth Fund Retail Class	-3.69%	15.35%	57.24%	36.74%	28.41%	19.51%	14.42%
After Taxes on Distributions	-3.69%	15.35%	48.13%	30.73%	23.71%	16.82%	12.48%
After Taxes on Distributions and Redemptions	-2.18%	9.09%	32.39%	26.13%	20.66%	15.08%	11.61%
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%	9.54%

The Needham Small Cap Growth Fund's Gross Expense Ratio is 1.89% for the Retail Class and 1.61% for the Institutional Class. The Needham Small Cap Growth Fund's Net Expense Ratio is 1.89% for the Retail Class and 1.22% 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 Small Cap 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.

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Portfolio holdings are subject to change. Needham Small Cap Growth Fund's ownership as a percentage of net assets in the stated securities as of 9/30/21: ASPN: 4.74%; PDFS: 3.00%; FLDM: 7.06%; CSOD: 3.81%; IVAC: 2.58%; SIEN: 2.58%; BRKS: 2.02%; AEIS: 1.45%.

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