

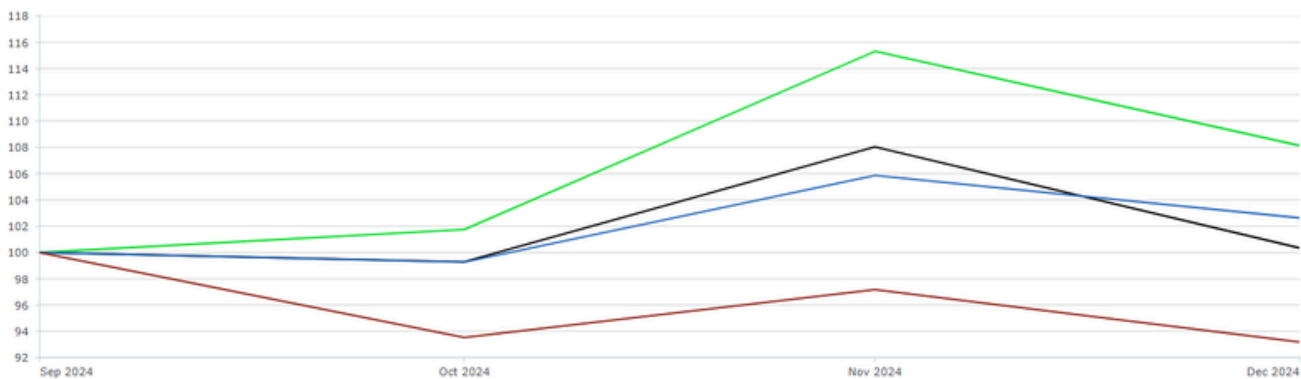
4Q24 Quarterly Commentary

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Investment Style: Mid Cap Growth

MARKET REVIEW AND MACRO OBSERVATIONS

- In 4Q24, the S&P MidCap 400 returned 0.34%, the Russell Midcap Growth Index returned 8.14% and the Russell 3000 returned 2.63%. For the year-end December 31, the S&P MidCap 400 returned 13.93%, the Russell Midcap Growth index returned 22.10%, and the Russell 3000 returned 23.81%. We note that the Russell Midcap Growth Index is heavily weighted toward its largest holdings, which includes Palantir Technologies, Inc. (PLTR), AppLovin Corp. (APP) and at least 23 other companies with market caps over \$170 billion. We believe the S&P 400 Midcap may offer the best comparison for our investing universe.
- The change in the U.S. Administration brings the prospect of a positive environment for U.S. business and labor. It is also possible that a change in leadership at the Federal Trade Commission will lead to more acquisitions. There is uncertainty over the proposed tariffs; perhaps the threat of tariffs will turn out to be negotiating leverage for broader trade agreements.
- In 4Q24, the Federal Reserve cut rates twice by 25 bps each time, ending at 4.25-4.50%, stating its confidence that inflation was moving toward 2.0%. The Federal Reserve dot plots of future expectations indicate another 50 bps of interest rate cuts in 2025.¹
- While the Fed can control short-term interest rates, the market sets long-term rates. The big macro observation during the fourth quarter was the increase in long-term rates. 10-year Treasuries yielded 3.8% on September 30 and closed the quarter at 4.5%.² Higher rates indicate that the market does not believe inflation is under control, and they reflect the lack of demand for the large amount of Federal government debt expected to come to the market in the future.



	RETURN
Needham Growth Institutional	(6.82)
Russell 3000	2.63
Russell Midcap Growth	8.14
S&P 400	0.34

Source: Zephyr Informais

IMPACTS ON PORTFOLIO PERFORMANCE

- In 4Q24, the Fund's Institutional (NEEIX) and Retail (NEEGX) classes declined -6.82% and -6.95%, respectively, underperforming the indices.
- The Fund's top contributors in 4Q24:
 - Marvell Technology, Inc. (MRVL) provides semiconductors for compute, networking, storage, automotive and other applications. They've seen strong growth from custom semiconductors for the hypersaclers.

- Altair Engineering, Inc. Class A (ALTR) provides simulation software for mechanical and electrical systems design. In the quarter they announced an acquisition by Siemens AG (SIEGY), which is expected to close later in 2025.
- The Fund's top detractors in 4Q24:
 - Aspen Aerogels, Inc. (ASPN) went from a top contributor in 3Q24 to a detractor in 4Q24. While Aspen again reported strong earnings and outlook, the stock suffered since the election. The market assumes that there is not much of a future for electric vehicles. Aspen supplies the leading aerogel-based insulation safety systems used in EVs. Aspen is standard on General Motors' Ultium and on many leading European batteries.
 - Super Micro Computer, Inc. (SMCI) was on quite a roller coaster this quarter as the stock fell to a low of \$17, only to close the quarter at \$34. We increased the Fund's position by about 2% on the sell-off and the company's announcement of hiring a new auditor. The stock fell when PricewaterhouseCoopers resigned as auditor and over concerns that Super Micro would not be able to find a new auditor, which would lead to a delisting. Just a few weeks after PwC's resignation, Super Micro hired BDO USA, Inc. and announced the results of a Special Committee's investigation, led by a new, independent board member. The Special Committee found little fault with management's behavior and the stock rallied.
- With 14% annualized turnover, the Fund does not rotate into or out of sectors but invests in companies we believe may outperform over the long term.

PORTFOLIO CHANGES

- The Fund ended the quarter fully invested and made a few new investments:
 - Everus Construction Group, Inc. (ECG) was spun out of MDU Resources Group, Inc. (MDU) during the quarter. We owned MDU in anticipation of this spin-out. Everus provides electrical and mechanical construction and engineering for transmission lines, underground utilities, data centers, and many other markets.
 - Vail Resorts Inc. (MTN) operates mountain resorts and regional ski areas in the United States and internationally.
 - Badger Meter Inc. (BMI) manufactures water quality and control products for water utilities, municipalities and commercial and industrial customers worldwide.
 - Mobileye Global, Inc. Class A (MBLY) develops and deploys advanced driver assistance systems (ADAS) and autonomous driving technologies.
- The Fund's largest additions to existing positions were to Bentley Systems, Inc. Class B (BSY), Akamai Technologies, Inc. (AKAM), Teradyne, Inc. (TER), Vishay Intertechnology, Inc. (VSH), and Lineage, Inc. (LINE).
- The Fund exited three small holdings and Carter's, Inc. (CRI). We viewed Carter's as the leader in baby clothing, which we thought to be a durable category, selling at an attractive stock price. We were wrong, as even their lower income consumers suffered due to inflation. We took the tax loss.

OPPORTUNITIES & LOOKING FORWARD

- Our major investment theme remains the importance of U.S. infrastructure—the lesser-known “pick and shovel” providers. Our portfolio companies sell into data centers, life sciences labs, semiconductor and other manufacturing plants, roads, airports, airbases, power plants, and more. The U.S. has underinvested in these areas, so we believe there could be long tailwinds.

- Four areas present throughout our investments:
 1. Semiconductor manufacturing
 2. Data Centers/AI processing
 3. U.S. Manufacturing
 4. Defense technology

- We believe the AI buildout is still in an early stage. Economic returns on AI projects could be a big deal for productivity and the economy. We are hearing from companies about increases in sales from the application of AI.

[1] <https://www.cnbc.com/2024/07/31/boj-raises-benchmark-interest-rate-outlines-roadmap-for-trimming-bond-buying-program.html>

[2] https://ycharts.com/indicators/10_year_treasury_rate_h15

	3 MO	YTD	1YR	3YR	5YR	10YR	SINCE INCEPT.
Needham Growth Fund Inst Class**	-6.82%	15.01%	15.01%	-0.81%	12.22%	10.22%	12.99%
After Taxes on Distributions	-7.60%	14.05%	14.05%	-1.22%	11.28%	8.62%	11.63%
After Taxes on Distributions & Redemptions	-3.45%	9.60%	9.60%	-0.64%	9.68%	7.87%	11.11%
Needham Growth Fund Retail Class	-6.95%	14.51%	14.51%	-1.23%	11.74%	9.72%	12.51%
After Taxes on Distributions	-7.77%	13.51%	13.51%	-1.65%	10.78%	8.10%	11.14%
After Taxes on Distributions and Redemptions	-3.51%	9.34%	9.34%	-0.95%	9.29%	7.45%	10.65%
S&P MidCap 400 Index	0.34%	13.93%	13.93%	4.87%	10.34%	9.68%	11.18%
Russell 3000 Index	2.63%	23.81%	23.81%	8.01%	13.86%	12.55%	10.01%
Russell Midcap Growth Index	8.14%	22.10%	22.10%	4.04%	11.47%	11.54%	10.00%

Average Annual Returns as of December 31, 2024. The Needham Growth Fund inception date is January 1, 1996.

**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.

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.

Current month-end performance and a copy of the prospectus are available at www.needhamfunds.com or by contacting the Fund's transfer agent, U.S. Bancorp Fund Services, LLC at 1-800-625-7071.

The Needham Growth Fund's Gross Expense Ratio is 1.79% for the Retail Class and 1.50% for the Institutional Class. The Needham Growth Fund's Net Expense Ratio is 1.75% for the Retail Class and 1.21% 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 29, 2025 to the extent the Gross Expense Ratio exceeds 1.95% and 1.21% of the average daily net assets of Retail Class Shares and Institutional Class Shares (Expense Cap), respectively. 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.

[Needham Growth Fund Fact Sheet](#) [Prospectus](#)

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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. Portfolio holdings are subject to change. Needham Growth Fund's ownership as a percentage of net assets in the stated securities as of December 31, 2024: PLTR: 0.00%, APP: 0.00%, MRVL: 2.42%, ALTR: 2.84%, SIEGY: 0.00%, ASPN: 2.47%, SMCI: 5.00%, ECG: 0.57%, MDU: 0.63%, MTN: 0.29%, BMI: 0.20%, MBLY: 0.16%, BSY: 0.61%, AKAM: 3.74%, TER: 1.80%, VSH: 1.67%, LINE: 0.30% and CRI: 0.00%.

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