

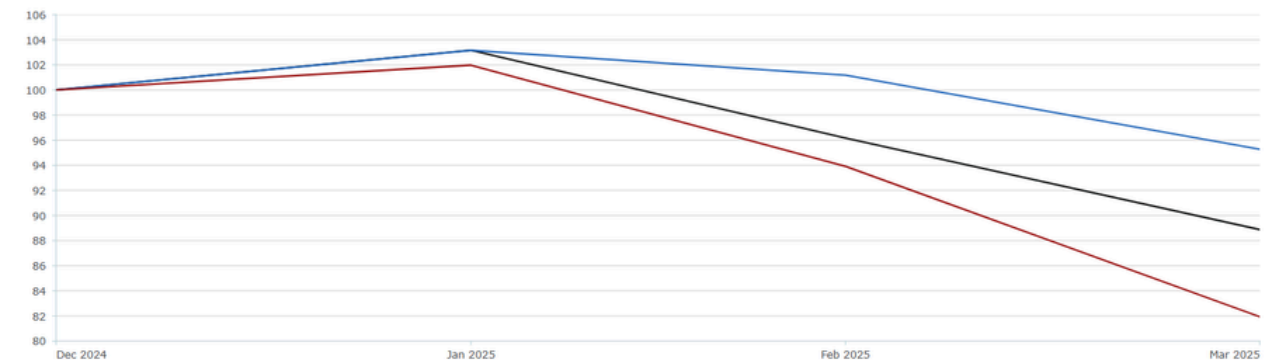
1Q25 Quarterly Commentary

Portfolio Manager: Christopher J. Retzler

Investment Style: Small Cap Growth

MACRO OBSERVATIONS

- 2025 began with enthusiasm for a more pro-business administration that would deregulate, establish permanent tax reductions, and promote investment, although tariffs were prioritized throughout their campaign.
- The threat of tariffs to achieve a more balanced and fair global trading environment was expected to produce near-term headwinds. However, the severity of the tariffs was much larger than the markets had priced into the value of equities.
- M&A was also expected to face a more favorable and friendly policy stance than the past several years, and this also proved to be overly optimistic.
- The interest rate curve is higher but healthier, as it has steepened on the long side of the curve. Until policymaking, tariffs and their impacts on the economy, and inflation are more predictable, the Federal Reserve will likely not cut short-term rates unless there is a significant shock to the economy or banking system, which we do not believe is the base case for most investors.
- Our portfolio companies' management teams read the same headlines that we all read, and the uncertainty impacts their ability to plan and ultimately provide forward-looking financial guidance. We have observed creativity within guidance, ranging from removing, widening, lowering, and even providing two sets of figures based on macroeconomic outcomes outside of their control.



	RETURN
Needham Small Cap Growth Institutional	(18.06)
Russell 3000	(4.72)
Russell 2000 Growth	(11.12)

Source: Zephyr Informais

PORTFOLIO PERFORMANCE

- In the first quarter, the Fund's Institutional (NESIX) and Retail classes (NESGX) returned -18.06% and -18.14%, respectively, compared to the Russell 2000 Growth's -11.12% and the Russell 3000's -4.72%.
- We believe there is significant value within the small-cap asset class after years of selling pressure and investor avoidance. Management teams continue to focus on improving cost structures and margins, accelerating revenue, and strengthening balance sheets.

- We ended the quarter almost fully invested with a 0.4% cash position.
- The Fund's top five performers in 1Q25 were Vicor Corp. (VICR), ADTRAN Holdings, Inc. (ADTN), Calix, Inc. (CALX), Allegro MicroSystems, Inc. (ALGM), and Logility Supply Chain Solutions, Inc. (formerly LGTY).
- The Fund's top five detractors on 1Q25 were Aspen Aerogels, Inc. (ASPN), PDF Solutions, Inc. (PDFS), Harmonic, Inc. (HLIT), Rogers Corporation (ROG) and nLight, Inc. (LASR).

OUTLOOK

- The significantly improved results from the DeepSeek announcement created concerns around technology investment in datacenter and AI. While the DeepSeek results helped to bend the cost curve of AI, hyper-scaler capital expenditures have not been reduced and may help to accelerate technological investment in inference and enterprise spending as the benefits of AI move to more practical and application buildout efforts.
- During the new administration's redirection of economic and social policies, we expect that economic activity could slow over 2025 until company management teams gain greater certainty about what the policies mean for their businesses. Federal budget clarity and tax policy should be a positive tailwind for managements who need greater certainty to begin investment and make operational decisions.
- We expect a realignment of global trading, with a primary outcome of many U.S.-based companies moving investment and operations away from China. One theme we hear from management teams is the phrase "country for country" or "region for region" operations that will help to alleviate tariff risk. Many U.S. companies began this process years ago; however, the transition must make economic sense and can take a long time.
- Technology remains a long-term strength of the economy, and several major secular trends persist firmly in place to support continued growth. Areas of long-term investment that we continue to like are data centers, communications infrastructure, defense, AI, cloud computing, wireless connectivity, software and security, and specialty material manufacturers. Innovation within our portfolio companies continues, and long term, we believe these investments will benefit the Fund.

	3 MO	YTD	1YR	3YR	5YR	10YR	SINCE INCEPT.
Needham Small Cap Growth Fund Inst Class**	-18.06%	-18.06%	-10.28%	-7.97%	9.36%	9.64%	10.62%
After Taxes on Distributions	-18.06%	-18.06%	-10.28%	-8.28%	6.34%	6.71%	8.66%
After Taxes on Distributions & Redemptions	-10.69%	-10.69%	-6.08%	-5.98%	6.63%	6.80%	8.53%
Needham Small Cap Growth Fund Retail Class	-18.14%	-18.14%	-10.80%	-8.41%	8.74%	9.03%	10.02%
After Taxes on Distributions	-18.14%	-18.14%	-10.80%	-8.73%	5.64%	6.05%	8.04%
After Taxes on Distributions and Redemptions	-10.74%	-10.74%	-6.39%	-6.29%	6.14%	6.29%	7.99%
Russell 2000 Growth Index	-11.12%	-11.12%	-4.86%	0.78%	10.78%	6.14%	7.88%
Russell 3000 Index	-4.72%	-4.72%	7.22%	8.22%	18.18%	11.80%	9.52%

Average Annual Returns as of March 31, 2025. The Needham Small Cap Growth Fund inception date is May 22, 2002.

**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. Past performance does not guarantee future results and 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 Small Cap Growth Fund's Gross Expense Ratio is 1.86% for the Retail Class and 1.51% for the Institutional Class. The Needham Small Cap Growth Fund's Net Expense Ratio is 1.79% for the Retail Class and 1.19% 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, 2026, 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), 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 Small Cap 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. Needham Small Cap Growth Fund's ownership as a percentage of net assets in the stated securities as of March 31, 2025: VICR: 3.62%, ADTN: 6.57%, CALX: 6.12%, ALGM: 1.02%, LGTY: 0.00%, ASPN: 3.64%, PDFS: 4.90%, HLIT: 4.41%, ROG: 3.02% and LASR: 3.98%.

The Russell 3000® Index measures the performance of the largest 3,000 US companies representing approximately 96% of the investable US equity market, as of the most recent reconstitution. The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included. The Russell 2000 Growth Index includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values. An investor cannot invest directly in an index. Needham & Company, LLC is a wholly owned subsidiary of The Needham Group, Inc. Needham & Company, LLC, member FINRA/SIPC, is the distributor of The Needham Funds, Inc.

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