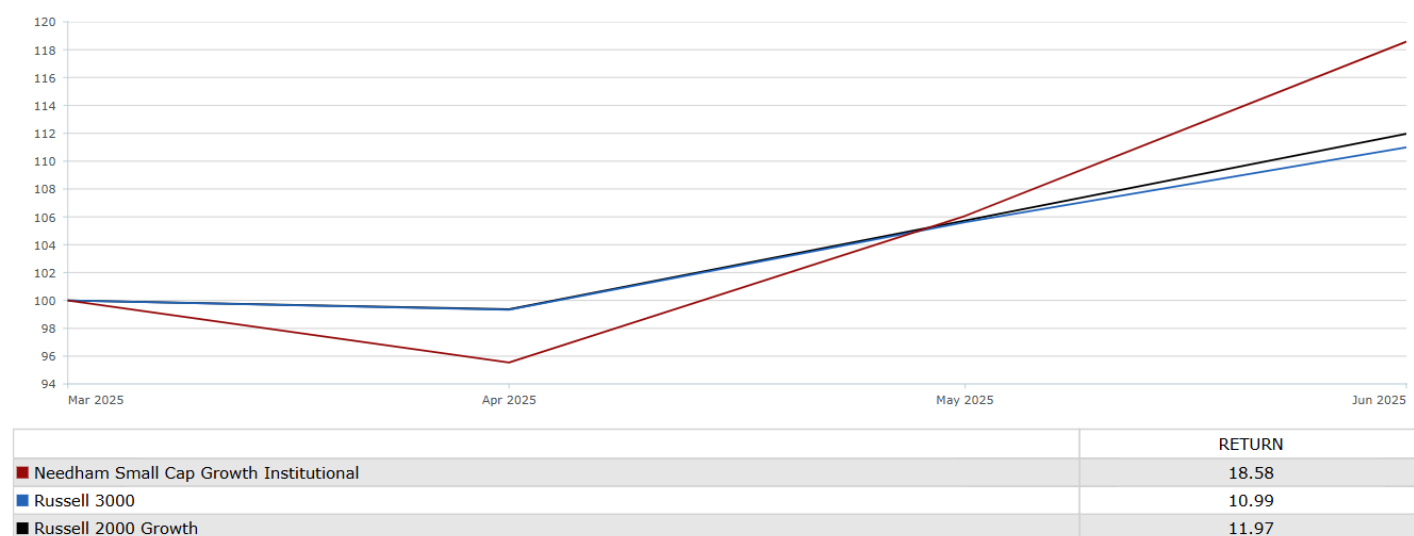


Market Review & Macro Observations

- The threat and partial implementation of tariffs caused a sharp sell-out in early April, with U.S. equities losing trillions and bond yields spiking. Volatility persisted until markets reached a bottom in mid-April. Prompted by a partial rollback of tariffs, markets recovered throughout the remainder of the quarter.
- By the end of June, enthusiasm returned for a more pro-business administration that promised to deregulate, establish permanent tax reductions, and promote investment.
- M&A activity picked up in Q2 as uncertainty around tariffs cooled and management teams regained confidence for long-term planning.
- The interest rate curve is higher but healthier, as it has steepened on the long side of the curve. Until policymaking, the economic impacts of tariffs, and inflation are more predictable, the Federal Reserve will likely not cut short-term rates this summer.



Source: Zephyr Informais

Portfolio Performance

- The Fund's Institutional (NESIX) and Retail classes (NESGX) returned 18.58% and 18.32%, respectively, in the second quarter, compared to the Russell 2000 Growth's 11.97% and the Russell 3000's 10.99%.
- 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 with a 10.3% cash position following a significant market recovery throughout the quarter.
- The Fund's top five performers in 2Q25 were: TTM Technologies, Inc. (TTMI), nLight, Inc. (LASR), Calix, Inc. (CALX), Arteris, Inc. (AIP), and Super Micro Computer, Inc. (SMCI).
- The Fund's top five detractors on 2Q25 were: PROS Holdings, Inc. (PRO), BigCommerce Holdings, Inc. (BIGC), CEVA, Inc. (CEVA), Rapid7, Inc. (RPD) and Murphy Oil Corp. (MUR).

Outlook

- With the U.S. 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.
- Tax certainty should benefit many of our portfolio companies, as accelerated tax benefits will propel capital spending and investment over many years.
- We expect a realignment of global trade and that many U.S.-based companies will move 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-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Needham Small Cap Growth Fund Inst Class**	18.58%	-2.84%	0.90%	7.71%	6.57%	11.87%	11.32%
After Taxes on Distributions	18.58%	-2.84%	0.90%	7.35%	3.63%	8.87%	9.36%
After Taxes on Distributions & Redemptions	11.00%	-1.68%	0.53%	5.90%	4.16%	8.51%	9.07%
Needham Small Cap Growth Fund Retail Class	18.32%	-3.14%	0.28%	7.17%	5.96%	11.23%	10.71%
After Taxes on Distributions	18.32%	-3.14%	0.28%	6.79%	2.93%	8.19%	8.74%
After Taxes on Distributions and Redemptions	10.85%	-1.86%	0.17%	5.48%	3.67%	7.97%	8.52%
Russell 2000 Growth Index	11.97%	-0.48%	9.73%	12.38%	7.42%	7.14%	8.32%
Russell 3000 Index	10.99%	5.75%	15.30%	19.08%	15.96%	12.96%	9.91%

Average Annual Returns as of June 30, 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 is 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](#)

Definitions and Disclosures

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 (each a "Fund" and collectively, "the Funds"). Shares are sold only through the currently effective prospectus. Please read the prospectus carefully and consider the investment objectives, risks, and charges and expenses of the Fund carefully before you invest. The prospectus contains this and other information about the Fund.

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 June 30, 2025: TTMI: 5.42%, LASR: 2.12%, CALX: 1.53%, AIP: 3.66%, SMCI: 1.93%, PRO: 1.69%, BIGC: 1.52%, CEVA: 1.81%, RPD: 2.66% and MUR: 0.00%.

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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