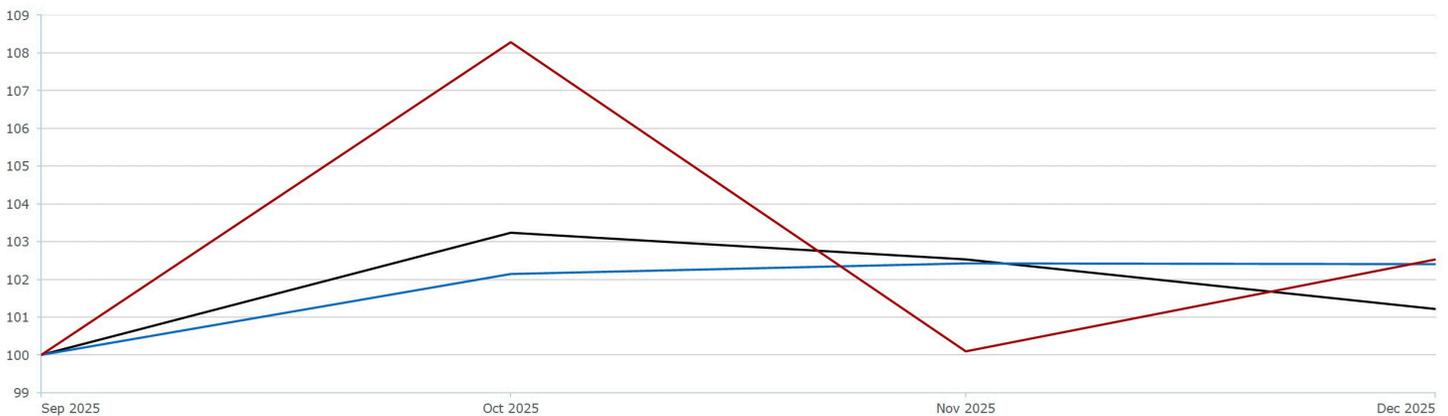


### Market Review & Macro Observations

- Capital spending within the technology sector continues to drive significant economic activity. This spending broadens revenue opportunities within supply chains.
- The Treasury yield curve has steepened and remains healthy for capital markets as equity and debt issuance have recovered from the post-COVID-19 lows.
- Merger and acquisition activity returned throughout 2025 and is a positive signal for the economy, as deals can be viewed as investments in future growth.
- After the passage of the “One Big Beautiful Bill Act,” markets finally gained clarity on tax policy for the foreseeable future. Company management teams, many of which delayed capital deployment decisions, can now prepare business plans with more certainty.
- Tariff clarity remains a moving target as negotiations continue with many countries. However, it seems the worst of the adjustments and headline risk was witnessed earlier in 2025, when the markets suffered a significant correction.
- The recent shift toward deregulation is expected to unlock additional economic activity as companies will be able to operate without previous regulations. Bank deregulation should also increase money flows and liquidity both on Main Street and Wall Street.



	RETURN
■ Needham Small Cap Growth Institutional	2.53
■ Russell 3000	2.40
■ Russell 2000 Growth	1.22

## Portfolio Performance

- The Fund's Institutional (NESIX) and Retail classes (NESGX) returned 2.53% and 2.41% respectively in the fourth quarter, compared to the Russell 2000 Growth's 1.22% and the Russell 3000's 2.40%.
- We believe there is significant value within the small-cap asset class, and investor interest in small caps accelerated throughout 2025. Management teams continue to focus on improving cost structures and margins, accelerating revenue, and strengthening balance sheets.
- The Fund ended the quarter with a 4.60% cash position following a significant market recovery throughout the quarter.
- The Fund's top five performers in 4Q25 were: Arteris, Inc (AIP), FormFactor, Inc. (FORM), Vicor Corp. (VICR), Photronics, Inc. (PLAB) and PDF Solutions, Inc. (PDFS).
- The Fund's top five detractors in 4Q25 were: Aspen Aerogels, Inc. (ASPN), Transcat, Inc. (TRNS), Penguin Solutions, Inc. (PENG), CEVA, Inc. (CEVA) and Super Micro Computer, Inc. (SMCI).

## Outlook

- With the U.S. administration's redirection of economic and social policies, we expect economic activity to accelerate in 2026, as company management teams have gained greater certainty about what the policies mean for their businesses.
- Tax certainty should benefit many of our portfolio companies, as accelerated tax benefits could propel capital spending and investment over many years.
- 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, semiconductors and capital equipment, communications infrastructure, defense, data centers, and specialty material manufacturers. Innovation within our portfolio companies continues and long term, we believe these investments will benefit the Fund.
- Despite recent narratives suggesting turbulence in the technology sector, our direct conversations with management teams tell a very different story. In more than 60 company visits over the last few months, one message stands out: demand remains exceptionally strong. Many companies are operating at or near sold-out capacity and are actively looking to expand capacity. This backdrop signals a healthy capital expenditure cycle. Companies continue to invest in growth, providing a solid foundation for sustained momentum. In short, what may look like "cooling" from a distance could be strength and disciplined expansion, when you speak directly to operators on the ground.
- 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.

	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Needham Small Cap Growth Fund Inst Class**	2.53%	11.16%	11.16%	10.11%	0.92%	14.79%	11.70%
After Taxes on Distributions	2.53%	11.16%	11.16%	10.11%	-0.71%	11.79%	9.78%
After Taxes on Distributions & Redemptions	1.50%	6.61%	6.61%	7.88%	0.21%	10.96%	9.38%
Needham Small Cap Growth Fund Retail Class	2.41%	10.50%	10.50%	9.61%	0.36%	14.14%	11.09%
After Taxes on Distributions	2.41%	10.50%	10.50%	9.61%	-1.33%	11.08%	9.15%
After Taxes on Distributions and Redemptions	1.43%	6.22%	6.22%	7.47%	-0.22%	10.39%	8.82%
Russell 2000 Growth Index	1.22%	13.01%	13.01%	15.59%	3.18%	9.57%	8.72%
Russell 3000 Index	2.40%	17.15%	17.15%	22.25%	13.15%	14.29%	10.16%

Average Annual Returns as of December 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 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](http://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 December 31, 2025: AIP: 6.62%, FORM: 2.02%, VICR: 0.00%, PLAB: 2.42%, PDFS: 4.31%, ASPN: 1.76%, TRNS: 2.42%, PENG: 1.32%, CEVA: 2.26% and SMCI: 0.72%.

The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies representing approximately 96% of the investable U.S. 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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