Needham Funds

Needham Growth Fund

2Q26 Quarterly Commentary

Portfolio Managers: John O. Barr & Christopher J. Retzler

Investment Style: Mid Cap Growth

Market Review & Macro Observations

- In 2Q26, the Bloomberg 2000 Growth, Russell 2000 Growth and Russell 3000 returned 24.28%, 25.71% and 15.44%, respectively. Information Technology significantly outperformed. Energy and Materials were the only sectors to post negative returns.[1]

- With the closing of the Straits of Hormuz in April, oil peaked at $126/ barrel, before falling back to $70-75. In June, the U.S. and Iran signed a Memorandum of Understanding outlining terms to end the war. As shown by the strong equity returns and the return to normal oil prices, the markets seemed to be looking past the war to a world without oil and gas price volatility and perhaps a broader, long-lasting peace in the Middle East.

- Inflation remains above the Federal Reserve's 2.0% target. The Fed's preferred inflation measure is the Core PCE (personal consumption expenditures), which excludes food and energy, which are seen as volatile. CPE inflation was 3.4% in May, 3.3% in April and 3.2% in March.[2]

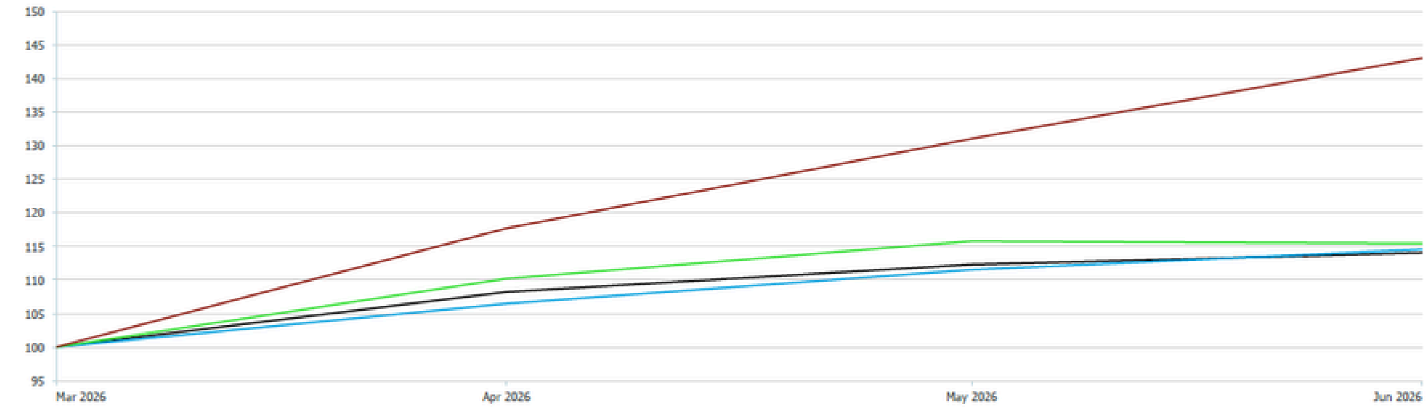
- The Bureau of Labor Statistics reported unemployment of 4.2% in June, consistent with the 4.2% - 4.4% of the last 6 months. [3]

- 1Q26 GDP was 2.1%, above the 1.6% from the preliminary estimates, as the impact of the war with Iran was not as severe as expected on U.S. GDP. The Atlanta Fed's Blue Chip consensus shows 2.2% GDP growth for 2Q26.[4] Economic activity is benefitting from strong capital expenditures in AI infrastructure and technology-related business investment, offsetting weak residential housing.

- At its April and June 2026 meetings, the Fed Open Market Committee maintained interest rates at 3.50 – 3.75%, but shifted to a tightening bias given the inflation above 2.0%. [5]As of late June, the Fed Forward Futures shows a 77% chance of one rate hike by year-end. [6]

- In May, Kevin Warsh was sworn in as Federal Reserve Chair, replacing Jerome Powell. In November 2025, Mr. Warsh wrote a *Wall Street Journal* op-ed arguing that AI will be a "significant deflationary force," [7] which could lead the Federal Reserve to be more cautious about rate hikes. He also said that he will communicate less about the Fed's future plans than did his predecessors.

[1] Factset. 2 Factor Brinson Analysis GICS Economic Sectors
[2] https://www.bea.gov/data/personal-consumption-expenditures-price-index
[3] https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm
[4] Federal Reserve Bank of Atlanta, Atlanta Fed GDPNow Estiamte for 2026:Q2, July 1, 2026, slide 2
[5] https://www.federalreserve.gov/newsevents/pressreleases/monetary20260617a.htm
[6] https://www.cnbc.com/2026/06/17/fed-interest-rate-decision-june-2026.html
[7] https://www.wsj.com/opinion/the-federal-reserves-broken-leadership-43629c87



	RETURN
Needham Growth Institutional	43.05
Russell 3000	15.43
Russell Midcap Growth	14.55
Bloomberg U.S. BMID Growth	14.05

Source: Zephyr Informais

Portfolio Performance

- Our mission is to create wealth for long-term investors. The Fund's investment strategy is to invest in category leaders and emerging growth companies.

- In 2Q26, the Fund's Institutional (NEEIX) and Retail (NEEGX) classes returned 43.05% and 42.92% respectively, significantly outperforming its benchmark indices. Like last quarter, the strong performance was due to our investments in the "picks and shovels" of U.S. infrastructure.

- The Fund's top contributors for 2Q26:

  - **PDF Solutions, Inc. (PDFS)** reported strong 1Q26 revenue, earnings, and guidance. During the quarter, management highlighted a large fabless customer renewal for the Exensio platform and a major semiconductor IDM developing a next-generation test solution with the company. PDF also completed an equity offering at $44/ share, including the sale of Advantest America's position in the company and cash to pay off the debt associated with the 2025 secureWISE acquisition. PDF has tailwinds from global fab investments and the complexity of advanced manufacturing.

  - The Fund first invested in **Vishay Intertechnology, Inc. (VSH)** in 2002 but increased its investment in 2024 when new CEO Joel Smejkal announced plans for Vishay 3.0. Vishay 3.0 was built around increased capacity to serve high-growth markets, including for AI data centers and electric vehicle charging. 1Q26 results showed strong revenue, earnings and guidance, bolstered by a 1.34x book: bill ratio. Utilization at the new campus in Wales is expected to begin in 2H26. The new wafer fab in Itzehoe, Germany is on track for a 2027 ramp. In late June, Vishay raised $750 million to accelerate capacity expansion and pay down debt.

  - **Vicor Corporation (VICR)** designs and manufactures modular power conversion devices. The company reported strong 1Q26 revenue, earnings and outlook including a book: bill ratio of 2.0. In May, Vicor announced a license agreement with a customer widely believed to be Advanced Micro Devices, Inc. (AMD). At its annual meeting in June, Vicor discussed short-term plans to expand capacity to meet strong demand. It also announced that its Gen-2 Vertical Power Delivery solution is expected to be available in 1Q27 for its lead customer Cerebras Systems, Inc. (CRBS).

- The Fund's top detractor in 2Q26 was small relative to the contributors:

  - **Huntington Ingalls Industries. Inc. (HII)** is the sole USN aircraft carrier shipbuilder, 1 of 2 nuclear submarine builders and the largest builder of USN surface vessels. Huntington Ingalls reported a strong 1Q26, however shipbuilding margins were a bit lower than estimated. The U.S. has a plan to increase ship and submarine industrial capacity. We believe Huntington Ingalls is well- positioned.

With 24% trailing 12-month turnover, the Fund does not rotate into or out of sectors but invests in companies we believe may outperform over the long term.

The Fund ended the quarter with an 10.9% cash position.

Portfolio Changes

- The largest new investment was Elmet Group Inc. Co. (ELMT), an IPO and a company we've known for several years. It is the sole U.S.-based processor of molybdenum and one of a few tungsten processors. Customers include leading U.S. defense, aerospace, and industrial companies. Honeywell Aerospace Inc. (HONA) became a new position upon its spin out of Honeywell (HON). Other new investments include Bentley Systems Incorporated (BSY), Franklin Electric Co. Inc. (FELE) and Primoris Services Corporation (PRIM).

- Among the largest additions to established positions were AeroVironment Inc. (AVAV), Alphabet Inc. (GOOGL), Atlanta Braves Holdings Inc. Class C (BATRK), HEICO Corporation (HEI), Honeywell International Inc. (HON) and Parsons Corporation (PSN).

- Positions trimmed included many long-term winners. By reducing the size of these positions, we look to potentially reduce the Fund's volatility in times of market turmoil. However, these positions appreciated so significantly during the quarter that most of them still increased in position size.

- The positions exited included ADTRAN Holdings, Inc. (ADTN), Bright Horizons Family Solutions, Inc. (BFAM) and DuPont de Nemours, Inc. (DD).

Techno Optimist - Marc Andreessen

- History in the United States is on the side of the optimist. One can consider the news and the bear cases but in the end, we assume that over time the U.S. economy will be fine. As long-term investors, we have the luxury of looking beyond short-term macro issues.

- Marc Andreessen is Co-founder and General Partner of a16z, officially named Andreessen Horowitz, which is a premier venture capital firm.

- In 2024 he wrote *It's Time to Build* [8], which is a collection of three of his blog post essays. He wrote, "Our nation and our civilization were built on production, on building. Our forefathers and foremothers built roads, and trains, farms and factories, then the computer, the microchip, the smartphone, and uncounted thousands of other things…" [9]

- In the essay, The Techno-Optimist Manifesto, he wrote, "We believe everything good is downstream of growth." [10] "We have a duty to be optimistic. Because the future is open, not predetermined and therefore cannot just be accepted: we are all responsible for what it holds." [11]

- Mr. Andreessen was recently interviewed on the Center for Strategic and International Studies (CSIS) podcast,[12] *Betting on America*. I recommend the interview.

- When you think about the Needham Aggressive Growth Fund, think builders. 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, power plants, and more.

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

- We believe the AI buildout and its use is still in an early stage. Economic returns on AI projects could be a big deal for productivity and the economy.

PDFS: 5.32%; VSH: 3.49%; VICR: 3.50%; AMD: 0.00%; CRBS: 0.00%; HII: 0.39%; ELMT: 1.14%; HONA: 1.00%; HON: 0.57%; BSY: 0.25%; FELE: 0.58%; PRIM: 0.48%; AVAV: 1.61%; GOOGL: 1.10%; BATRK: 0.59%; HEI: 0.00%; PSN: 0.00%; ADTN: 0.00%; BFAM: 0.00%; DD: 0.00%.

[8] The Techno Optimist, Marc Andreessen, Network Press, 2024
[9] *The Techno Optimist*, pages 24-25, Marc Andreessen, Network Press, 2024, from the essay, It's Time to Build, posted April 18, 2020.
[10] *The Techno Optimist*, page 38, Marc Andreessen, Network Press, 2024, from the essay, The Techno Optimist Manifesto, posted October 16, 2023.
[11] *The Techno Optimist*, page 86, Marc Andreessen, Network Press, 2024, quote from David Deutsch from the essay, The Techno Optimist Manifesto, posted October 16, 2023.
[12] https://www.youtube.com/watch?v=1CdOEVq5fz8, Beyond P (Doom), CSIS Betting on America podcast, Navin Girishankar interviews Marc Andreessen, June 25, 2026

	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Needham Growth Fund Inst Class**	43.05%	65.64%	90.95%	28.99%	14.51%	17.43%	14.54%
After Taxes on Distributions	43.05%	65.64%	87.80%	27.91%	13.50%	15.70%	13.16%
After Taxes on Distributions & Redemptions	25.48%	38.86%	54.37%	22.72%	11.22%	13.91%	12.46%
Needham Growth Fund Retail Class	42.92%	65.33%	90.12%	28.44%	14.01%	16.89%	14.04%
After Taxes on Distributions	42.92%	65.33%	86.81%	27.31%	12.97%	15.13%	12.66%
After Taxes on Distributions and Redemptions	25.41%	38.67%	53.90%	22.23%	10.80%	13.42%	11.98%
S&P MidCap 400 Index	14.47%	17.34%	25.89%	15.41%	9.07%	11.65%	11.45%
Russell 3000 Index	15.44%	10.88%	22.82%	20.36%	12.31%	15.06%	10.44%
Russell Midcap Growth Index	14.55%	7.27%	6.17%	15.61%	6.03%	13.04%	10.04%

Average Annual Returns as of June 30, 2026. The Needham Growth Fund inception date is January 1, 1996.

**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. 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 1.75% for the Retail Class and 1.47% for the Institutional Class. The Needham Growth Fund's Net Expense Ratio is 1.71% for the Retail Class and 1.23% 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 1.95% 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

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. Portfolio holdings are subject to change. Needham Growth Fund's ownership as a percentage of net assets in the stated securities as of June 30, 2026: PDFS: 5.32%; VSH: 3.49%; VICR: 3.50%; AMD: 0.00%; CRBS: 0.00%; HII: 0.39%; ELMT: 1.14%; HONA: 1.00%; HON: 0.57%; BSY: 0.25%; FELE: 0.58%; PRIM: 0.48%; AVAV: 1.61%; GOOGL: 1.10%; BATRK: 0.59%; HEI: 0.00%; PSN: 0.00%; ADTN: 0.00%; BFAM: 0.00%; DD: 0.00%.

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The S&P 500 Index and the S&P 400 Index are both broad unmanaged measures of the U.S. stock market. 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 Midcap® Growth Index measures the performance of the midcap growth segment of the US equity universe. The Russell Midcap Growth Index includes those Russell Midcap Index companies with relatively higher price-to-book 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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