

Needham Investment Management, LLC

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Part 2A of Form ADV Firm Brochure

April 25, 2024

This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Needham Investment Management, LLC (“NIM” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (212) 371-8300 or jma@needhamco.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

NIM is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. Additional information about Needham Investment Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

There are no material changes to this Brochure since the most recent update, dated March 28, 2024. Please note that the Adviser made other changes to this Brochure, which the Adviser does not consider to be material. The Adviser encourages all recipients to carefully read and review this Brochure in its entirety.

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Item 4. Advisory Business

Needham Investment Management, LLC (also referred to as “Needham Investment Management,” “NIM” or the “Adviser”) is a Delaware Limited Liability Company, formed on October 11, 1995, and is located in New York, NY. NIM began operating as an investment adviser in 1995 and has been registered with the SEC since 1995.

NIM is a wholly-owned indirect subsidiary of The Needham Group, Inc. George Needham is the principal shareholder, Chairman of the Board and Chief Executive Officer of The Needham Group, Inc.

NIM provides discretionary portfolio management services to clients, which include pooled investment vehicles and registered investment companies (each a “Client” and collectively, the “Clients”). NIM does not tailor its advisory services to meet the individual needs of the underlying investors in its Clients. Rather, it provides advice to each Client portfolio in accordance with its investment objectives and strategies specific to each portfolio, as described in each Client’s respective offering memoranda.

As of December 31, 2023, NIM’s regulatory assets under management was \$926,147,748, all managed on a discretionary basis.

Item 5. Fees and Compensation

NIM receives an investment management fee based on the value of Client assets under management. Clients are billed as described below.

For Clients that are registered investment companies, NIM charges an annual fee of 1.25% of the average daily net asset value of each portfolio, paid monthly, in arrears as of the last day of each calendar month. Such fee is subject to reduction in accordance with the terms of various expense limitation agreements between NIM and its registered investment company Clients that may be in effect from time to time.

For Clients that are pooled investment vehicles, such as hedge funds, NIM charges an annual fee of 1.00% of assets under management. This fee is paid in advance on either a quarterly or monthly basis as of the first day of each calendar quarter or month, as applicable.

In addition to the management fee, Clients that are pooled investment vehicles are also subject to a performance-based fee, which is compensation based on a share of capital gains or capital appreciation of the assets of a Client. These fees vary for each Client and range from 15% to 20% of returns. Additionally, certain Clients may not become subject to performance-based fees unless NIM achieves returns in excess of a predetermined threshold.

The performance-based fees NIM receives from certain Clients may create a conflict of interest, which is described more fully under Item 6 of this Brochure. These fees are negotiable.

Clients will be billed for fees incurred; however, NIM does not deduct fees directly from Client accounts.

Clients may also be required to pay for expenses incurred by NIM, including, but not limited to, expenses incurred in connection with membership in investment company organizations, transaction costs, legal, auditing or accounting expenses, fees to certain service providers, such as the fund administrator, clerical expenses, and other expenses as noted in each Client's advisory agreement.

Generally, certain investors must make any contributions or withdrawals on the first day of the month or quarter, in accordance with the respective partnership agreement. For Clients with a quarterly billing cycle, NIM may occasionally accept contributions or withdrawals on the first day of a month other than the first month of the billing cycle. In that case, (i) for contributions, the Client would be billed during the following quarter for a pro-rated portion of that quarter's fee in addition to the fee for the following quarter and (ii) for withdrawals, the Client would be credited during the following quarter for a pro-rated portion of that quarter's fee.

In the event a Client chooses to terminate its advisory contract with NIM, NIM would bill the Client through the date the contract was terminated, if paid in arrears, and NIM would credit the client for a pro-rated portion of the fee through the date the contract was terminated, if paid in advance.

Neither NIM nor any of its personnel accept compensation directly for the sale of securities or other investment products. NIM's affiliated broker-dealer, Needham & Company, LLC ("Needham"), serves as the distributor of the registered investment company Clients to which NIM provides advice. Certain of Needham's registered representatives act in an advisory capacity for NIM. Compensation for these representatives is typically composed of base salaries and discretionary bonuses. Certain of NIM personnel are compensated based on client referrals for NIM's registered investment companies. Needham and its registered representatives do not receive transaction/commission-based payments related to placement of interests in pooled investment vehicles managed by NIM.

Item 6. Performance Fees and Side-by-Side Management

As described in Item 5 above, NIM may be entitled to be paid performance-based compensation in the form of performance fees if the Adviser generates net capital appreciation for investors. NIM provides investment management services to multiple portfolios for multiple Clients, some of whom are subject to performance-based fees while others are charged other types of fees. NIM's investment personnel are also typically compensated on a basis that includes a performance-based component. Additionally, certain Clients may be subject to higher fees or more favorable performance-based compensation arrangements than other Clients. This creates a potential conflict of interest in that there is some incentive for NIM and its management personnel to favor the Clients that pay NIM a performance-based fee or higher fees.

When making investment decisions for a portfolio, NIM considers the investment objectives and guidelines of the portfolio, irrespective of the fees NIM may receive. Because NIM manages several portfolios, each with its own investment objectives and guidelines, there may be times when NIM gives advice to one portfolio that differs from the advice given to another portfolio. To the extent NIM may make the same investment decision for multiple portfolios, NIM has adopted policies and procedures, including the review of investment decisions, that are designed to ensure that trades are allocated among the various portfolios in an equitable manner and to prevent performance-based conflicts from influencing the allocation of investment opportunities among its Clients. For example, the performance of similarly managed accounts is regularly compared to determine whether there are any unexplained significant discrepancies. Please refer to Item 16 of this Brochure for further details about NIM's allocation and aggregation procedures.

Item 7. Types of Clients

NIM provides investment management services on a discretionary basis to registered investment companies and pooled investment vehicles.

Clients that are pooled investment vehicles require investment minimums for initial and additional subscriptions, as described in their respective offering memoranda. The investors within each pooled investment vehicle are generally institutional investors and other financially sophisticated investors. NIM may accept lower subscription amounts under the circumstances described in the offering memoranda.

Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss

NIM primarily invests in common stock issued by companies based in the United States. NIM utilizes several methods of analysis and strategies to make investment decisions, including, but not limited to, the following:

- Analyzing fundamental data, SEC filings, press releases, research reports and any other information that help identify companies that may be undervalued and have the potential for above-average growth relative to the overall market.
- Focusing on industries within NIM's discipline, including technology, healthcare, specialty retailing, oil services, media, leisure, cable and entertainment.
- Considering macroeconomic trends worldwide and their impact on industries in which NIM invests.
- Emphasizing high-quality company management, which NIM believes is the most critical element in determining a business' success.
- Conducting on-site visits to companies and in-person or telephonic meetings with company management, employees, customers and competitors.
- Utilizing short sales primarily as a hedge to offset a potential decline in the value of a similar security owned by a Client.
- Opportunistically utilizing short sales upon identifying a company that appears to be overvalued due to undue optimism about a new industry or technology, aggressive forecasts, accounting gimmicks or other factors that NIM believes obscures the true value of the company.
- Strategically applying hedging strategies, including short sales and, to a lesser extent, the use of options, other derivative instruments, and other securities to protect against downturns in the overall market or individual industries.
- Considering the tax implications of each decision in order to minimize the tax consequences to Clients.
- To the extent that NIM invests in other pooled vehicles, such as a hedge fund (i) focusing on the portfolio managers when making the decision to invest rather than individual securities held in the portfolio and (ii) analyzing the portfolio manager's strategy, the philosophy and decision-making process, proprietary models, research and portfolio management systems, quality of its investment professionals and its organizational structure.

Risks

NIM's investment strategies are speculative and may involve a substantial degree of risk. Market risks and other systematic risks are inherent in all securities investments to varying degrees, and thus, there can be no assurance that NIM's investment objectives will be achieved. Further, investing in a Client is not intended as a complete investment program. Moreover, investing in certain Clients is designed only for investors who are able to bear the economic risk of the loss of their entire investment and who have a limited need for liquidity in their investment.

The following list identifies material risks relating to NIM's investment strategies and activity, and they should be carefully evaluated before making an investment in a Client. This list of risks

below does not purport to be an exhaustive list or complete explanation of the risks relating to an investment in a Client. Please refer to the Client's respective offering documents for additional and specific risk disclosures applicable to such Client.

Risk of Loss. Investment in any type of security carries the risk of loss, and investors must be prepared to bear the loss of their entire investment.

Concentration of Investments. Although certain of NIM's investments are classified as "diversified" under the Investment Company Act of 1940, as amended, NIM may invest such Client assets in a smaller number of issuers than other, more diversified funds. Such investments' net asset value may be more vulnerable to changes in the market value of a single issuer or group of issuers and may be relatively more susceptible to adverse effects from any single corporate, industry, economic, market, political or regulatory occurrence than if a Client's investments consisted of securities issued by a larger number of issuers.

Additionally, certain of NIM Client portfolios are not intended to be diversified among a wide range of industries or types of investments. Accordingly, such investments may be subject to more rapid change in value than would be the case if NIM was required to maintain a wide diversification for those Clients.

Illiquid and Long-Term Investments. Certain Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded, making purchases or sales of such securities at desired prices or in desired quantities difficult or impossible. Furthermore, the sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value any such investments accurately. In addition, NIM's investments in restricted or non-marketable securities may involve a high degree of business and financial risk that can result in substantial losses. There may be no existing market for the purchase and sale of such investments, and NIM may not be able to sell such investments readily.

Limited Withdrawal of Capital. An investor generally will be permitted to withdraw all or any part of its capital account only in accordance with the terms of a Client's governing documents.

Short Sales. NIM engages in short selling strategies. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Client's portfolio. A short sale involves the irks of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase. There is also the risk that the securities borrowed by a Client in connection with a short sale must be returned to the securities lender on short notice. Because there is no limit as to how high the market price of a security may rise, there is no effective limit as to how much a Client can lose in this scenario.

Hedging. Certain of NIM Clients engage in hedging. Hedging techniques involve one or more of the following risks, including, but not limited to, (i) imperfect correlation between the performance and value of the instrument and the value of the Client securities or other Client objective; (ii) possible lack of a secondary market for closing out a position in the instrument; (iii) losses resulting

from interest rate, spread, or other market movements not anticipated by NIM; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen a Client's position; and (v) default or refusal to perform on the part of the counterparty with which NIM trades. There can be no assurances that a particular hedge is appropriate or that certain risks are measured properly. While NIM may employ hedging strategies in an attempt to reduce the risk in Client portfolios, these transactions may result in poorer overall performance and increased risk than if NIM did not employ hedging strategies at all.

The following risks are associated with the types of securities in which NIM invests:

Equity Securities. NIM typically invests in stocks issued by smaller companies, which can be less liquid and more volatile than stocks issued by larger, more established companies due to limited product lines, markets or financial resources. Equity securities represent ownership interests in their respective issuers and generally carry the most risk associated with a specific issuer's capital structure. The value of equity securities fluctuates in response to issuer, political, market and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. NIM may also invest in privately-held companies and initial public offerings, which can also be illiquid and volatile. Any investment in equities or equity-related instruments entails a significant risk of loss.

Growth Company Risks. NIM invests in smaller, growth companies. These companies are subject to a number of risks including technology, marketing and distribution, management, competition, product delays and economic cycles. Any of these factors may result in severe, and sometimes irreparable, damage to the portfolio company. The public equities of emerging growth companies are also subject to a high degree of volatility.

Non-U.S. Securities. NIM may invest in non-U.S. securities. Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Security Futures and Options. NIM may utilize a variety of financial instruments, including options and futures contracts, to manage the risk in certain Client portfolios. The value of these instruments is derived from the value of an underlying investment, such as a common stock, and may be more volatile than the underlying investment itself. In addition, NIM's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

General Economic and Market Conditions. The success of a Client's activities will be affected by general economic and market conditions, including, but not limited to, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Client's investments), trade barriers, currency exchange controls, and national and international political circumstances (e.g., wars, sanctions, political conflicts, terrorist acts and security operations). These factors may affect the level and volatility of the prices and the liquidity of a Client's investments. Volatility or illiquidity could impair a Client's profitability or result in losses. NIM has broad discretion in making investments for a Client. Investments will generally consist of equity securities, equity-related instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that NIM will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Client's activities and the value of its investments. In addition, the value of a Client's portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that a Client's investment objective will be achieved.

Operational and Activity Risks

Reliance on the General Partner. The investors have no right or power to participate in the NIM's management. Accordingly, no person should purchase any interest in NIM unless he, she or it is willing to entrust all aspects of management to NIM (also referred to as the "General Partner"), and, in particular, Messrs. Needham and Giangrosso, the officers of the General Partner. The investors will be relying on the management expertise of the personnel of the General Partner in identifying and analyzing a potential investment, negotiating and structuring the transaction and administering and disposing of NIM's investments. If, for any reason, the current personnel of the General Partner should cease to be involved in NIM's investment management, suitable replacements may be difficult to obtain, with the result that NIM's performance may be adversely affected. NIM's success is therefore expected to be significantly dependent upon the expertise and efforts of the General Partner and, more particularly, of its managing members.

No Market for Partnership Interests. Certain interests in the pooled investment vehicles sponsored by NIM have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), the securities laws of any state or the securities laws of any other jurisdiction and, therefore, cannot be resold unless they are subsequently registered under the 1933 Act or other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the interests under the 1933 Act or other securities laws will ever be effected. There is no public market for the interests and one is not expected to develop. An investor of a pooled investment vehicle Client (a "Limited Partner") will not be permitted to assign its interests, except by operation of law, without the prior written consent of the General Partner. Limited Partners must be prepared to bear the risks of owning interests for an extended period of time.

Cybersecurity Risk. NIM and its service providers are subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized

release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting NIM or its service providers may adversely impact NIM's Clients. For instance, cyber-attacks may interfere with the processing or execution of NIM transactions, cause the release of confidential information, including information about investors, subject NIM to regulatory fines or financial losses, or cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which NIM may invest. These risks could result in material adverse consequences for such issuers, and may cause NIM's investments in such issuers to lose value.

Epidemic or Pandemic Considerations. As of the date of this Brochure, the Coronavirus (or "COVID-19") continues to be an ongoing international epidemic, although to a lesser extent than in 2020-2022. This, or some future epidemic or pandemic, may have a negative impact on economic fundamentals, including the disruption of global supply chains, consumer confidence, tourism and/or the performance of essential government services. There is a risk that an investment could be, directly or indirectly, affected by one or more outbreaks of disease and its subsequent negative impact. Specifically, the effects of a pandemic, such as COVID-19, may materially and adversely impact the value and performance of any of NIM's Clients and their investment objectives.

Remote Work Environment. The COVID-19 pandemic significantly affected firms' day-to-day operations across the securities industry, including requiring firms to transition most or all of their staff to remote work environments and implement remote supervisory practices. NIM permits its personnel to work remotely from home. As of the date of this Brochure, a substantial number of NIM's employees and personnel are working a hybrid schedule, both in the office and remotely, as a result of the COVID-19 pandemic. In order for remote work to be successful, NIM's technologies and other operational infrastructures must function properly. While NIM takes steps to mitigate such events, any failure in the proper functioning of such technologies or other operational infrastructures could disrupt the ability of NIM personnel to adequately carry out their functions, which could adversely affect the Clients.

Business Continuity and Disaster Recovery. NIM's business operations may be vulnerable to disruption in the case of catastrophic events, such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruptions and/or prolonged power outages. Although NIM has implemented measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, the Clients may be adversely affected.

Item 9. Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management.

Neither NIM nor any of its officers, directors, members, partners or employees (the "Employees"), have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

Item 10. Other Financial Industry Activities and Affiliations

NIM is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Certain of NIM's management persons are registered representatives of Needham & Company, LLC, an affiliated registered broker-dealer.

NIM may utilize the services of Needham to effect transactions on a Client's behalf in certain securities listed on the New York Stock Exchange or other nationally recognized stock exchange, for which Needham will receive a commission and/or other transaction-related charges. Therefore, NIM may benefit indirectly from these transactions as a result of its affiliation with Needham. This is a conflict of interest because it gives NIM economic incentive to choose Needham in lieu of other broker-dealers when effecting securities transactions.

NIM maintains and enforces procedures that require the commissions paid to Needham be fair and reasonable as compared to commissions charged by other broker-dealers for comparable transactions. Commissions paid to Needham are reviewed by management, as well as by the Board of Directors of NIM Clients that are registered investment companies, on a quarterly basis to ascertain whether such charges are consistent with these procedures.

Needham also serves as the distributor of the registered investment company Clients to which NIM provides advice.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

NIM has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its personnel to put the interests of Clients ahead of their own interests and to act honestly and fairly in all dealings with its Clients. Investors may obtain a copy of the Code by contacting James Abbruzzese, Chief Compliance Officer, by e-mail at jma@needhamco.com or by telephone at (212) 371-8300. Please see below for further details about the Code as it relates to pre-clearing and reporting the securities transactions of NIM Employees.

During the normal course of its business, NIM may come into possession of confidential or material, non-public information about issuers, including issuers of securities in which NIM has invested or plans to invest on a Client’s behalf. NIM is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, including Clients. NIM maintains and enforces written policies and procedures regarding its obligations to Clients and to maintain its compliance with applicable laws, rules and regulations. These procedures prohibit NIM from communicating such information to anyone, even if the information might be material to a decision to buy, sell or hold a security on a Client’s behalf.

NIM Employees may occasionally trade securities for their own accounts in which NIM is invested or are considering investing on behalf of its Clients. This presents a conflict of interest where NIM’s Employees may have access to information that could be used to trade in a manner that could adversely affect NIM’s Clients (e.g., placing personal trades before or after Client trades in order to take advantage of any price movements that result from Client trades). In accordance with the Code, Employees are required to pre-clear with the Compliance Department all personal transactions in securities, including those that NIM is able to trade on a Client’s behalf. This includes trades for immediate family members of Employees, as well as trades for any account in which the Employee has a beneficial interest. The Compliance Department reviews trade pre-clearance requests and denies permission if it determines that such transactions could have an adverse impact on Client investments. The Code also establishes “blackout periods” during which time Employees may not affect personal transactions in a security that has been traded on a Client’s behalf. Additionally, the Code prohibits Employees from investing in any initial public offering or private offering without prior written consent from the Chief Compliance Officer.

NIM maintains policies and procedures to enforce its Code of Ethics. NIM’s Compliance Department receives duplicate statements and trade confirmations for Employees’ personal trading accounts. The Compliance Department reviews all Employee trade requests and considers various factors when approving or denying such requests, including whether it believes NIM or one of its affiliates is in possession of material, non-public information regarding such securities. Additionally, NIM requires Employees to request pre-clearance from the Compliance Department before opening any new personal trading accounts, and the Compliance Department may deny permission. NIM also requires Employees to certify annually that they have disclosed all personal trading accounts to the Compliance Department.

Needham, a broker-dealer affiliated with NIM, may also occasionally trade securities for its own accounts in which NIM is invested or is considering investing on behalf of Clients. To minimize

this conflict of interest, NIM maintains and enforces information barriers to prevent Needham from obtaining knowledge about NIM Client portfolios other than what has been disclosed and is available publicly. The Code generally prohibits Employees from sharing information about Client portfolios, except when necessary and in accordance with NIM's policies and procedures. Additionally, the salespersons, traders and other personnel for Needham are physically separated from NIM Employees in order to prevent inadvertent disclosure of information regarding Client portfolios and other sensitive information.

To the extent that NIM or any of its Employees own securities that NIM also recommends to Clients, Client proxies will be voted according to predetermined guidelines rather than subject to NIM's discretion, unless NIM has obtained investors' prior written consent to deviate from those guidelines. Please refer to Item 17 for more information about NIM's policies and procedures with regard to proxy voting.

Item 12. Brokerage Practices

NIM considers a number of factors when selecting a broker-dealer to execute transactions and determining the reasonableness of the broker-dealer's compensation. Such factors include the net cost of execution, the broker-dealer's reputation, financial strength and stability, and the efficiency with which the broker-dealer executes transactions and resolves errors. NIM does not consider client referrals from a particular broker-dealer when selecting a broker-dealer to execute a particular transaction. NIM may select a broker-dealer to execute a given transaction that is not necessarily the one that offers the lowest available commission cost.

NIM does not have any directed brokerage agreements with any of its Clients.

Additionally, NIM may receive research or products and services other than execution in connection with securities transactions on behalf of a Client. This is known as a "soft dollar" relationship. NIM maintains and enforces written procedures to ensure that the use of soft dollars is limited to services that are permissible under SEC rules. To the extent NIM uses client commissions to obtain eligible research or other services, its Chief Compliance Office meets regularly with the personnel responsible for selecting the executing broker-dealer to determine whether the commissions used to obtain such products and services were reasonable in relation to the value of the products and services received.

The use of Client commissions to obtain research and other products and services raises a conflict of interest. NIM does not have to pay for products and services purchased using Client commission dollars. As such, NIM has an incentive to select a broker-dealer based on its interest in receiving the products and services in question. Further, NIM may also cause Clients to pay commissions that are higher than those charged by other broker-dealers in exchange for soft dollar benefits, resulting in higher transaction costs.

Regarding research and brokerage services that NIM obtains through soft dollar relationships, NIM will generally only use such services for the benefit of Client accounts that have paid for the service. Additionally, NIM will allocate such benefits proportionately to the soft dollar credits paid by each Client account. In the event NIM uses a product or service obtained from a soft dollar arrangement for some purpose that does not benefit Clients, NIM maintains and enforces policies and procedures to determine a fair and reasonable valuation regarding how much of the cost should be paid for using soft dollars and directing that the remainder of the cost be billed to NIM.

During the last fiscal year, NIM utilized Client commissions to pay for research reports on industries within NIM's investment focus in order to identify industry trends and potential investment ideas for Clients.

When selecting a broker-dealer to execute a given transaction, broker-dealers with which NIM maintains a soft dollar relationship are subject to the same best execution review described above. NIM will consider the value of the research and services it receives from such broker-dealers, in addition to the factors noted above, when making a determination about the reasonableness of the broker-dealer's compensation.

Although NIM receives research from Needham, an affiliated broker-dealer with which NIM maintains a trading relationship, as referenced above and throughout this Brochure, NIM does not utilize Client commissions to pay for such research. NIM chooses Needham as the broker-dealer for a given transaction only to the extent that it reasonably determines Needham is offering the best execution for the given transaction. NIM does not consider the value of the research it receives from Needham when evaluating the quality of Needham's execution.

NIM maintains a policy to aggregate Client orders whenever possible in order to minimize the conflicts that would arise if NIM executed sequential transactions for the same security in different Client accounts. Consequently, two transactions executed in close proximity to each other would receive the average price and would share transaction costs proportionately. To the extent NIM does not aggregate trades, it will attempt to execute smaller transactions ahead of larger ones in order to minimize the price fluctuations caused by the execution of the larger orders.

Item 13. Review of Accounts

A portfolio manager regularly reviews each Client account they manage to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and each Client's performance.

Significant market events affecting the prices of one or more securities held by a Client, changes in the investment objectives or guidelines of a particular Client, or specific arrangements with particular Clients may trigger more frequent reviews.

For Clients that are registered investment companies, written statements are provided to Clients by the custodian of the portfolio's assets. For Clients that are pooled investment vehicles, investors receive written statements from the Client pursuant to the terms of each Client's offering memoranda or as otherwise described in the Client's offering documents.

Item 14. Client Referrals and Other Compensation

As described under Item 12 above, NIM receives research or other products or services from broker-dealers through soft-dollar arrangements. These soft-dollar arrangements create an incentive for NIM to select broker-dealers based on NIM's interest in receiving the research or other products or services and may result in higher transaction costs than NIM might obtain from a different broker-dealer. Please see Item 12 for additional information about NIM's soft-dollar practices, including procedures for addressing conflicts of interest that arise from such practices.

NIM's Clients that are registered investment companies may pay an additional fee, known as a 12b-1 fee, to certain broker-dealers that act as distributors of such funds.

Item 15. Custody

NIM is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) and satisfies its Custody Rule obligations with respect to certain Clients by complying with the “Pooled Vehicle Annual Audit Exception,” which, among other things, requires that a Client is subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that a Client distributes its audited financial statements to all investors within 120 days of the end of its fiscal year. To the extent an investor receives statements from a qualified custodian or other sources, NIM urges investors to carefully review these financial statements.

NIM will maintain Client assets with qualified custodians in compliance with the Custody Rule, as applicable.

Item 16. Investment Discretion

NIM provides investment advisory services on a fully discretionary basis to its Clients. Please see Item 4 for a description regarding any limitations on NIM's discretionary authority. Prior to assuming discretion in managing investors' assets, NIM will enter into an investment management agreement or other agreement that explains the scope of its discretion.

NIM has the authority to decide which securities are to be purchased and sold on an investor's behalf, subject to restrictions and any written investment guidelines as specified in each Client's respective offering memoranda. Because of the differences in Client investment objectives and strategies, NIM may make different investment decisions for different Clients.

Securities are allocated among Client portfolios based on a variety of factors, including: (i) Client investment objectives and strategies; (ii) Client risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is NIM's policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets each participating account relative to value of the assets of all participating accounts), these factors may lead NIM to allocate securities to Client accounts in varying amounts.

Allocations will be made among Client accounts eligible to participate in initial public offerings ("IPOs") and secondary offerings on a pro rata basis, except when NIM determines that a pro rata allocation is not appropriate, such as when a Client's investment guidelines explicitly prohibit participation in IPOs or secondary offerings and when a Client is deemed a "restricted person" under applicable regulations.

Securities that NIM acquires for a Client through a limited offering will be allocated after considering the factors described above and upon a determination that the Client account is eligible to hold such securities. Eligibility will be based on the Client's legal status and the Client's investment objectives and strategies.

In the event NIM aggregates orders for multiple Clients, each Client will receive the average price for the securities that are purchased or sold. Any deviations from NIM's allocation and aggregation procedures will be approved by the Chief Compliance Officer, and the reason for the deviation will be documented.

In the event that a trade error occurs, NIM will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, NIM's error correction procedure is to correct the error as soon as possible, in such a manner that minimizes or prevents any loss or expense to the Client, and to immediately report the error to the Chief Compliance Officer. After reviewing the facts and circumstances of a particular error, NIM may decide to correct the error in a unique manner that differs from its normal procedures. In such case, NIM will prepare an explanatory memorandum that will be maintained by the Chief Compliance Officer.

Item 17. Voting Client Securities

NIM maintains and enforces proxy voting policies and procedures that are designed to ensure that in cases where NIM votes proxies with respect to Client securities, such proxies are voted in the best interests of NIM's Clients. When voting proxies, NIM votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification of common stock. For all other proposals, NIM will determine whether a proposal is in the best interests of its Clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and NIM's opinion of management; (ii) whether the proposal makes it more difficult to replace existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

NIM's Clients are not permitted to direct their votes in a particular solicitation.

If a particular solicitation creates a material conflict of interest between NIM and its Clients, NIM's policy is to vote according to its guidelines in situations where it has no discretion to deviate from them. If the guidelines allow NIM to exercise discretion with regard to the proposal in question, NIM will disclose the conflict to each Client and obtain consent for the proposed vote prior to voting the securities. If NIM does not receive a response from a Client or a Client does not grant permission, then NIM will abstain from voting the securities held in that Client's account.

Investors may obtain a copy of NIM's proxy voting policies and procedures, as well as information regarding how NIM voted a Client's proxies, by contacting James Abbruzzese, the Chief Compliance Officer, by e-mail at jma@needhamco.com or by telephone at (212) 371-8300.

Item 18. Financial Information

A balance sheet is not required to be provided, as NIM (i) does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients, and (iii) has not been the subject of a bankruptcy proceeding during the past 10 years.