

---

## **Needham Investment Management, LLC**

**250 Park Avenue, Floor 10  
New York, NY 10177**

**(212) 371-8300**

**[www.needhamfunds.com](http://www.needhamfunds.com)**

March 30, 2020

---

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

NIM is an SEC-registered investment adviser. Registration 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](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This section identifies any material changes that have been made to this document since the last update. There were no material changes since the previous filing.

## TABLE OF CONTENTS

Item 1.	Cover Page .....	i
Item 2.	Material Changes .....	ii
Item 3.	Table of Contents .....	iii
Item 4.	Advisory Business .....	1
Item 5.	Fees and Compensation .....	2
Item 6.	Performance-Based Fees and Side-by-Side Management .....	4
Item 7.	Types of Clients .....	5
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9.	Disciplinary Information.....	8
Item 10.	Other Financial Industry Activities and Affiliations .....	9
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Item 12.	Brokerage Practices .....	12
Item 13.	Review of Accounts .....	14
Item 14.	Client Referrals and Other Compensation .....	15
Item 15.	Custody .....	16
Item 16.	Investment Discretion .....	17
Item 17.	Voting Client Securities .....	19
Item 18.	Financial Information.....	20

#### Item 4 – Advisory Business

NIM is an SEC-registered investment adviser 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. NIM does not tailor its advisory services. Rather, it provides advice to client accounts based on the investment objectives and strategies specific to each portfolio.

As of December 31, 2018, NIM has \$336,375,387 in assets under management, all of which we manage 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, we charge 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, we charge 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 individual clients, and range from 15% to 20% of returns. Additionally, certain clients may not become subject to performance-based fees unless we achieve returns in excess of a predetermined threshold.

The performance-based fees we receive from certain clients may create a conflict of interest, which is described more fully under Item 6.

These fees are negotiable.

Clients will be billed for fees incurred; we do 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, investors paying a fee in advance must make any contributions or withdrawals on the first day of the month or quarter, in accordance with their billing cycle. For clients with a quarterly billing cycle, we 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, we would bill the client through the date the contract was terminated, if paid in arrears, and we would credit the client for a pro-rated portion of the fee through the date the contract was terminated, if paid in advance.

## Item 6 – Performance Fees and Side-by-Side Management

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. Our 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 us performance-based compensation or higher fees.

When making investment decisions for a portfolio, we consider the investment objectives and guidelines of the portfolio, irrespective of the fees we may receive. Since we manage several portfolios, each with its own investment objectives and guidelines, there may be times when the advice we give to one portfolio differs from the advice given to another portfolio. To the extent we may make the same investment decision for multiple portfolios, we have adopted procedures, including the review of investment decisions, to ensure that those trades are allocated among the various portfolios in an equitable manner. 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 for further details about our allocation and aggregation procedures.

### Item 7 – Types of Clients

NIM provides investment management services to registered investment companies and pooled investment vehicles.

Initial and additional subscription minimums for our clients that are pooled investment vehicles are disclosed in their respective 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. We utilize several methods of analysis and strategies to make investment decisions, including, but not limited to:

- Analyzing fundamental data, SEC filings, press releases, research reports, and any other information that helps us to identify companies that may be undervalued, and that have the potential for above-average growth relative to the overall market
- Focusing on the industries within our discipline, including technology, healthcare, specialty retailing, oil services, media, leisure, cable, and entertainment.
- Considering macroeconomic trends worldwide and their impact on the industries in which we invest.
- Emphasizing high-quality company management, which we believe is the most critical element in determining the success of a business.
- 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 that we own.
- Opportunistically utilizing short sales when we identify a company that appears to us to be overvalued due to undue optimism about a new industry or technology, aggressive forecasts, accounting gimmicks, or other factors that we believe obscure the true value of the company.
- Strategically applying hedging strategies, including short sales and, to a lesser extent, the use of options and other derivative 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 our clients.
- To the extent that we invest 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, philosophy and decision making process, proprietary models, research and portfolio management systems, the quality of its investment professionals, and its organizational structure.

Investment in any type of security carries the risk of loss, and you must be prepared to bear the loss of your entire investment.

*Concentration of Investments* – Although NIM's investments are classified as "diversified" under the Investment Company Act of 1940, as amended, the Fund may invest its assets in a smaller number of issuers than other, more diversified funds. The investments net asset value ("NAV") 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 the Fund's investments consisted of securities issued by a larger number of issuers.

*Short Selling* - NIM engages in short selling strategies. A short sale is a sale of securities that we do not own in anticipation that the market price of the security will decline. The securities necessary to complete the sale are borrowed, and we will eventually have to return those securities to the lender by purchasing them in the market. If we are forced to return the securities at a time when the market price is higher than the price at which we sold the securities, you will incur a loss. 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 you can lose.

*Hedging* - NIM engages in hedging. There can be no assurances that a particular hedge is appropriate, or that certain risks are measured properly. Further, while we may employ hedging strategies in an attempt to reduce the risk in our portfolios, these transactions may result in poorer overall performance and increased risk than if we 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. 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. Consequently, these types of securities may carry a higher risk of loss.

*Fixed Income and Debt Securities* - Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline.

*Security Futures and Options* - NIM may utilize a variety of financial instruments, including options and futures contracts to manage the risk in our 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.

Item 9 – Disciplinary Information

This item is not applicable to NIM.

## Item 10 – Other Financial Industry Activities and Affiliations

Certain of NIM's management persons are registered representatives of Needham & Company, LLC ("Needham"), an affiliated registered broker-dealer.

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

We maintain and enforce 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 our clients that are registered investment companies, on a quarterly basis to ascertain whether the charges were in compliance with these procedures.

Needham also serves as the distributor of the registered funds to which we provide advice.

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

NIM has adopted a Code of Ethics that obligates us to put the interests of our clients ahead of our own interests and to act honestly and fairly in all dealings with our clients. You may obtain a copy of the Code by contacting James Abbruzzese, Chief Compliance Officer, by e-mail at [jma@needhamco.com](mailto:jma@needhamco.com) or by telephone at (212) 371-8300. See below for further details about the Code as they relate to pre-clearing and reporting the securities transactions of our employees.

In the normal course of our business, we may come into possession of confidential or material non-public information about issuers, including issuers of securities in which we have invested or plan to invest on your behalf. We are prohibited from improperly disclosing or using such information for our own benefit or for the benefit of any other person, including clients. We maintain and enforce written policies that ensure we are meeting our obligations to you while remaining in compliance with applicable laws. These procedures prohibit us from communicating such information to anyone who does not have a legitimate need to know, even if the information might be material to a decision to buy, sell, or hold a security on your behalf.

Our personnel may occasionally trade securities for their own accounts in which we are invested or are considering investing on behalf of our clients. This presents a conflict of interest where our employees have access to information that may be used to trade in a manner that could adversely affect our 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 our Code of Ethics, employees are required to pre-clear with the Compliance Department personal transactions in securities that we are able to trade on your behalf. This includes trades for immediate family members of the employees, as well as trades for any account in which the employee has a beneficial interest. The Compliance Department may deny permission if such transactions will have any adverse impact on your investments. The Code also establishes “blackout periods” during which time our employees may not effect personal transactions in a security that has been traded on your behalf. The Code prohibits employees from investing in any initial public or private offering without prior written consent from the Chief Compliance Officer.

We also maintain procedures to enforce the Code of Ethics. The Compliance Department receives duplicate statements and trade confirmations for personal trading accounts maintained by employees, and personal trades are reviewed by the Compliance Department on a monthly basis. Employees are required to notify the Compliance Department before opening any new personal trading accounts, and the Compliance Department may deny permission. Employees are also required to certify annually that they have notified the Compliance Department of all personal trading accounts. Additionally, the Compliance Department maintains a list of securities that may not be traded by any employee because we or one of our affiliates are in possession of material, non-public information about the company.

Needham, a broker-dealer affiliated with NIM, may also occasionally trade securities for its own accounts in which we are invested or are considering investing on behalf of clients. To minimize the conflict of interest, we maintain and enforce information barriers to prevent Needham from obtaining knowledge about our clients' portfolios other than what has been publicly disclosed. Our Code of Ethics generally prohibits our employees from sharing information about our clients' portfolios unless it is necessary to do so. Additionally, the salespeople and traders for Needham are physically separated from NIM's employees in order to prevent the accidental disclosure of information about our client portfolios.

To the extent that we or an affiliate or any of our employees own securities that we also recommend to clients, client proxies will be voted according to predetermined guidelines rather than subject to our discretion, unless we have obtained your prior written consent to deviate from those guidelines. Please refer to Item 17 for more information about our policies 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. We do not consider client referrals from a particular broker-dealer when selecting a broker-dealer to execute a particular transaction. The broker-dealer we select to execute a given transaction is not necessarily the one that offers the lowest available commission cost.

We do not have any directed brokerage agreements with any of our clients.

Additionally, we 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. We maintain and enforce written procedures to ensure that the use of soft dollars is limited to services that are permissible under SEC rules. To the extent we use client commissions to obtain eligible research or other services, our 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. We do not have to pay for products and services purchased using client commission dollars, so we have incentive to select a broker-dealer based on our interest in receiving the products and services in question. We may also cause you to pay commissions higher than those charged by other broker-dealers in exchange for soft dollar benefits, resulting in higher transaction costs.

Research and brokerage services obtained using soft dollars will generally only be used by us for the benefit of client accounts that have paid for the service. Additionally, the benefits will be allocated proportionately to the soft dollar credits paid by each account. In the event a product or service obtained using soft dollars is used by us for some purpose that does not benefit clients, we maintain and enforce procedures to determine a fair and reasonable valuation as to how much of the cost should be paid for using soft dollars and we will direct that the remainder of the cost be billed to us.

During our last fiscal year, we utilized client commissions to pay for research reports on industries within our investment focus in order to identify industry trends and potential investment ideas for our clients.

When selecting a broker-dealer to execute a given transaction, broker-dealers with which we maintain a soft dollar relationship are subject to the same best execution review described above. The value of the research and services we receive from such broker-

dealers will be considered 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 we maintain a trading relationship, we do not utilize client commissions to pay for that research. We choose Needham as the broker-dealer for a given transaction only to the extent that we feel they are offering the best execution for that transaction, and we do not consider the value of the research we receive when evaluating the quality of their execution.

Our policy is to aggregate client orders whenever possible in order to minimize the conflicts that would arise if we 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 we do not aggregate trades, we 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

Each client account is reviewed regularly by the portfolio manager 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 the performance of each client account.

Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular client, or specific arrangements with particular clients may trigger more frequent review.

For clients that are registered investment companies, written statements are provided to clients by the custodian(s) of the assets of the portfolios. For client accounts that are pooled vehicles, the client's investors receive written statements from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client.

#### 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 us to select broker-dealers based on our interest in receiving the research or other products or services and may result in higher transaction costs than we might obtain from a different broker-dealer. Please see Item 12 for further information about our “soft-dollar” practices, including our procedures for addressing conflicts of interest that arise from such practices.

Our 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 those funds.

On February 27, 2015, NIM entered into an agreement with Rock Harbor, Inc. (a third party marketing agency) and Foreside Funds Services, LLC (a registered broker-dealer), to assist in promoting investment in NIM’s registered investment company clients. Please be advised that this agreement was terminated in January, 2020.

#### Item 15 – Custody

This item is not applicable to NIM. To the extent a client receives statements from a qualified custodian or other sources, the client should review those statements carefully.

## Item 16 – Investment Discretion

NIM provides investment advisory services on a fully discretionary basis to clients. Please see Item 4 for a description of any limitations you may place on our discretionary authority. Prior to assuming discretion in managing your assets, we will enter into an investment management agreement or other agreement that explains the scope of our discretion.

We have the authority to decide which securities are to be purchased and sold on your behalf (subject to restrictions and any written investment guidelines). Because of the differences in client investment objectives and strategies, we 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 our 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 us 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 we determine that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

Securities we acquire for our clients through a limited offering will be allocated after considering the factors described above and determining those client accounts are eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

In the event we aggregate orders for multiple clients, each client will receive the average price for the securities that are purchased or sold.

Any deviations from our allocation and aggregation procedures must be approved by the Chief Compliance Officer, and the reason for the deviation must be documented.

If it appears that a trade error has occurred, we 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, our normal error correction procedure is to correct the error as soon as possible in such a manner that the client incurs no loss or expense, and to report the error to our Chief Compliance Officer. After

reviewing the facts and circumstances of a particular error, we may decide to correct the error in a manner that differs from our procedures. In this case, we will prepare an explanatory memorandum that will be maintained by our 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 we vote proxies with respect to client securities, such proxies are voted in the best interests of our clients. When voting proxies, we vote 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, we 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 our 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.

Our 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 our clients, our policy is to vote according to our guidelines in situations where we have no discretion to deviate from them. If our guidelines allow us to exercise discretion with regard to the proposal in question, then we will disclose the conflict to each client and obtain consent to the proposed vote prior to voting the securities. If we do not receive a response from a client or a client does not grant permission, then we will abstain from voting the securities held in that client's account.

Clients may obtain a copy of our proxy voting policies and procedures and information regarding how we voted a client's proxies by contacting James Abbruzzese by e-mail at [jma@needhamco.com](mailto:jma@needhamco.com) or by telephone at (212) 371-8300.

Item 18 – Financial Information

This item is not applicable to NIM.