



Portfolio Manager

“The attributes we seek in a stock are good management, visible and predictable growth, and attractive valuation.”

Bernard Lirola

Fund Manager since 1/08

Education: École Polytechnique, France
Harvard Business School

Securities Industry Experience:

1976- 1978: Smith, Barney, Harris, Upham & Co.

1978- 1990: CS First Boston

1990- 1994: Swiss Bank Corporation

1994- 2007: Needham & Company, LLC

2007 to date: Needham Asset Management, LLC

Fund Highlights

- Received ★★★★★ Overall Morningstar Rating™* as of 9/30/09, based on risk-adjusted return, when rated against 750 Mid-Cap Growth Funds
- Long-term capital appreciation
- Targets industry leaders
- Seeks tax efficiency
- Focus on growth markets
- Shorts and hedges permitted
- Bottom-up stock selection
- Sound valuation discipline



*For each fund with at least a three-year history, Morningstar™ calculates a Morningstar™ Rating based on a Morningstar™ risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar™ Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar™ Rating metrics. The Needham Aggressive Growth Fund was rated against the following numbers of U.S.-domiciled Mid-Cap Growth Funds over the following time periods: 750 funds in the last three years, 638 funds in the last five years and 750 funds overall. With respect to these Mid-Cap Growth Funds, the Needham Aggressive Growth Fund received a Morningstar™ Rating of 5 stars, 5 stars and 5 stars for the three-year period, five-year period and overall as of 9/30/09, respectively. Past performance is no guarantee of future results and present performance may be higher or lower than these results.

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This report is not an offer of the Needham Aggressive Growth Fund. Shares are sold only through the currently effective prospectus, which must precede or accompany this report. Funds holding smaller capitalized companies are subject to greater price fluctuation than those of larger companies. Also, the Fund's use of short sales, options, futures strategies and leverage may result in significant capital loss. Total return figures include reinvestment of all dividends and capital gains.

Needham Aggressive Growth Fund

Investment Objective

The Needham Aggressive Growth Fund (the “Fund”) seeks to create long-term capital appreciation for its shareholders by investing in equities of public companies with above-average prospective growth rates.

While focusing on capital appreciation, the Fund also seeks tax efficiency and lower risk exposure through the use of hedging instruments such as short selling.

Investment Process

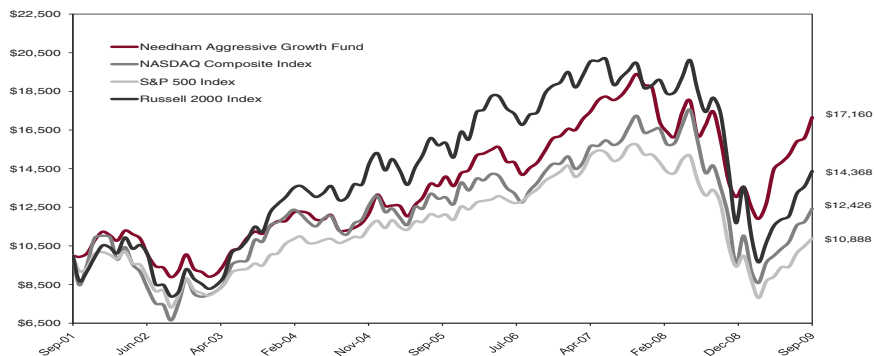
Market Leaders – The Fund targets the equities of companies with strong, above-average prospective growth rates. The Fund invests, in general, in markets and industries with strong growth rates, focusing on the market leaders in these areas. Also important is the long-term sustainability of that leadership position. Thus, the Fund looks for companies with strong management teams, superior balance sheets, above-average margins that can generate excess cash, and strong R&D and brand spending in industries with high barriers to entry.

Risk Management – To moderate the volatility and risk inherent in high-growth companies, the Fund uses hedging techniques, primarily short sales, to foster more consistent returns. The Fund typically targets for short sale companies with small or eroding market shares, weakening balance sheets and low or declining margins in industries with low competitive barriers to entry.

Bottom Up – Central to the Fund's investment strategy is a sound valuation discipline that seeks to acquire growth companies at reasonable prices. Since we are looking for sound, long-term growth opportunities, we are patient in waiting for attractive valuations to build positions.

Performance

An initial investment of \$10,000 as of September 4, 2001 (inception) would be worth \$17,160 as of September 30, 2009.



Average annual total return since inception 9/4/01 – 9/30/09	6.92%
Total return for the 12 months ended 9/30/09	7.34%
Total return for the quarter ended 9/30/09	12.82%

The S&P 500 Index is a broad unmanaged measure of the U.S. stock market.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of all NASDAQ Global Market and Small-Cap stocks.

The Russell 2000 Index is a broad unmanaged index composed of the smallest 2,000 companies in the Russell 3000 Index.

Please read the prospectus 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. Investment returns and principal value will fluctuate, and when redeemed, shares may be worth more or less than their original cost. Shares held less than 60 days are subject to a short-term redemption fee of 2%. The results contained in this report represent past performance of the Fund. Past performance does not guarantee future results and current performance may be higher or lower than these results.

Current month-end performance is available at www.needhamfunds.com. To obtain a copy of the Fund's current prospectus, please contact the Fund's transfer agent, Citi Fund Services Ohio, Inc., at 1-800-625-7071.

Needham & Company, LLC, member NASD/SIPC, is the distributor of The Needham Funds, Inc.

Top Ten Holdings*

Security	% of Total Investments**
Varian Medical Systems, Inc. (VAR)	4.86%
Gilead Sciences, Inc. (GILD)	4.49%
Express Scripts, Inc. (ESRX)	4.48%
Precision Castparts Corp. (PCP)	3.60%
Apple, Inc. (AAPL)	3.57%
Nuvasive, Inc. (NUVA)	3.35%
Actuate Corp. (ACTU)	3.34%
Candela Corp. (CLZR)	3.18%
Dick's Sporting Goods (DKS)	3.09%
Carmax, Inc. (KMX)	3.02%

Top Ten Holdings 36.98%

* As of 9/30/09. Current portfolio holdings may not be indicative of future portfolio holdings.

** Percentage of total investments as of 9/30/09.

Capitalization Exposure*

Class	%
Micro Cap	18.49%
Small Cap	41.07%
Mid Cap	16.50%
Large Cap	23.94%
	100.00%

*Based on total long portfolio as of 9/30/09.

Needham & Company, LLC

Needham & Company, LLC is a wholly owned subsidiary of The Needham Group, Inc. and a privately held full-service investment bank with the mission of helping emerging growth companies achieve their potential. The firm is headquartered in New York City with offices in Boston, Menlo Park and San Francisco. In addition to investment banking, Needham's principal activities include institutional sales and trading, asset management and venture capital. To serve its institutional clients, Needham & Company, LLC produces comprehensive equity research on more than 375 companies in technology, healthcare, consumer and industrial growth. For more information, please see www.needhamco.com.

Needham Asset Management, LLC

Needham Asset Management, LLC is a wholly owned subsidiary of The Needham Group, Inc. and an investment management firm specializing in investing in the equity securities of growth companies, with a focus on the technology, healthcare, business services and consumer sectors. The firm's product offerings include public mutual funds, limited partnerships and private equity funds.

Needham Investment Management L.L.C., an SEC registered investment adviser, is the Investment Adviser of the Needham Aggressive Growth Fund and an affiliate of Needham & Company, LLC.

Comparative Performance (as percentage)

	3 rd Quarter ^A	1 Year ^B	3 Year ^C	5 Year ^D	Since Inception ^E
Needham Aggressive Growth Fund	12.82%	7.34%	5.01%	8.46%	6.92%
Needham Aggressive Growth Fund (after taxes on distributions)	12.82%	6.10%	2.76%	6.97%	5.89%
Needham Aggressive Growth Fund (after taxes on distributions and redemption)	8.33%	5.88%	3.52%	6.79%	5.63%
S&P 500 Index [†]	15.61%	-6.91%	-5.42%	1.01%	1.06%
NASDAQ Composite Index ^{††}	15.91%	2.54%	-1.18%	3.12%	2.72%
Russell 2000 Index ^{†††}	19.28%	-9.55%	-4.57%	2.44%	4.58%

(A) 7/1/09-9/30/09

(B) 10/1/08-9/30/09

(C) 10/1/06-9/30/09 (annualized return)

(D) 10/1/04-9/30/09 (annualized return)

(E) 9/4/01-9/30/09 (annualized return)

[†] The S&P 500 Index is a broad unmanaged measure of the U.S. stock market.

^{††} The NASDAQ Composite Index is a broad-based capitalization-weighted index of all NASDAQ Global Market and Small-Cap stocks.

^{†††} The Russell 2000 Index is a broad unmanaged index composed of the smallest 2,000 companies in the Russell 3000 Index.

Sector Weightings*

Sector	Long	(Short)	Total
Healthcare	36.0%	(0.3)%	35.7%
Energy	—	—	—
Industrial	2.9%	—	2.9%
Financial Services	3.0%	—	3.0%
Business Services	6.3%	—	6.3%
Consumer	10.7%	—	10.7%
Technology	14.4%	(0.9)%	13.5%
Telecommunications/Cable	6.1%	—	6.1%
Cash	21.8%	—	21.8%

* Percentage of total investments as of 9/30/09, which means all stocks held long plus cash minus all short positions.

Fund Information & Statistics

Net Assets	\$19.6 million
NAV	\$11.97
Minimum Initial Investment	\$5,000/\$1,500 for IRA
Minimum Subsequent Investment	\$500/No minimum for IRA
NASDAQ Symbol	NEAGX
Load	No-Load
Inception Date	9/4/01
Expense Ratio	2.48%
12b-1 Fees	0.25%
Redemption Fee	2.00% within 60 days

Shareholder Services

Citi Fund Services Ohio, Inc.
3435 Stelzer Road
Columbus, OH 43219

Adviser

Needham Investment
Management L.L.C.
445 Park Avenue
New York, NY 10022-2606

Contact

Investor Services
1-800-625-7071

Network Availability

Includes Barclays Capital, Brown Brothers Harriman, Charles Schwab Mutual Fund OneSource®, E*TRADE Securities, Fidelity FundsNetwork®, Fiserv, JP Morgan, Lazard Capital Markets, Morgan Stanley, Needham & Company, LLC, Pershing, Prudential Investment Management Services, Raymond James, T.D. AMERITRADE, and Vanguard.