Semiannual Report

Needham Growth Fund

Six months ended June 30, 1998
(unaudited)

Needham Funds

Needham Growth Fund
445 Park Avenue
New York, New York 10022-2606

1-800-625-7071

Semiannual Report
for the six months ended June 30, 1998
(unaudited)

The Needham Growth Fund — seeking to build wealth for long-term investors.

Contents

Six Month Results
June 30, 1998

Dear Shareholders, Friends of Needham, or Prospective Shareholders,

We are pleased to report performance results for the Needham Growth Fund ("NGF") for the quarter ended June 30, 1998. Our performance relative to the major indices for the quarter ended June 30, 1998 (2Q98), for the six month period ended June 30, 1998 (YTD) and since inception is as follows:

Benchmarks	2Q98	YTD[6]	Since Inception[7]
Needham Growth Fund[1]	3.9%	11.0%	94.6%
Dow Jones Industrial Average[2]	2.1%	14.1%	83.8%
S&P 500 Index[3]	3.3%	17.7%	93.0%
S&P 400 Midcap Index[4]	(2.2)%	8.6%	71.2%
Russell 2000 Index[5]	(4.6)%	5.3%	49.9%

1. Investment results calculated after reinvestments of dividends.
2. Dow Jones industrial average is a daily measure of stocks traded on the NYSE.
3. S&P 500 stock index is a broad unmanaged measure of the U.S. stock market and is not available for purchase.
4. S&P 400 Midcap stock index is a broad unmanaged measure of the U.S. stock market and is not available for purchase.
5. Russell 2000 is a broad unmanaged index comprised of the smallest 2000 NASDAQ companies and is not available for purchase.
6. The time period between 12/31/97 to 6/30/98.
7. The time period between 1/1/96 to 6/30/98.

Note: The returns shown above are historical and reflect changes in share price, reinvested dividends and are net of expenses. Investment results and the principal value of an investment will vary. Past performance noted above does not guarantee future results. When shares are redeemed, they may be worth more or less than their original cost. Since inception, the Fund's Adviser has absorbed certain expenses of the Fund, without which returns would have been lower.

Background

The second quarter of 1998 has been a period of consolidation and change of focus at the Needham Growth Fund. The first quarter of 1998 was characterized by a sharp rally in January and February and then the market in general and technology stocks specifically started to climb the wall of worry during March leading up to earnings releases in April. During the second quarter, NGF has focused on companies whose earnings are predominantly domestic or European, not overly affected by the downturn in the Asian economies and where cash flow is particularly strong.

Investment Strategy

NGF is seeking to create long-term tax efficient capital appreciation for its investors. To this end, NGF targets companies with products or services that are selling or marketing into high growth markets. They normally have earnings growth of at least 20%, product and market dominance, and the ability to consolidate their market positions. They may have a competitive advantage by acquiring and retaining more customers, driving costs down and profits up. NGF also looks for seasoned and motivated management with "incentives" to win. Companies with these characteristics sometimes find themselves in a temporary earnings downturn or shortfall or maybe in a product transition. This often causes aggressive growth and momentum for investors to sell. At this point, NGF may deem the stock to be reasonably priced and purchase it for long-term capital appreciation. Hence, the discipline called, “Growth At a Reasonable Price” (“GARP”).

Investment Profile

At June 30, 1998, NGF’s sector holdings consisted of the following: 34% in Technology & Telecommunications; 25.8% Media, Leisure, Entertainment, Cable; 12.1% Retailing & Business Services; 9.9% in Healthcare; 6.6% Oil & Gas Services; 5% Drugs and Biotechnology; 5% in Aerospace and other Manufacturing and finally 1.8% in short-term investments. The market value of hedges and stocks sold short represents approximately 12% of the total value of the long portfolio owned by NGF.

NGF’s top ten holdings at quarter end (in descending order of market value) were Telebras, Comcast, Cablevision, Hasbro, Amdocs, Pharmacia & Upjohn, First Data Corp., Columbia/HCA, Viacom and Liberty Media.

Investment Analysis

While the technology sector in general offers some of the most attractive long-term growth prospects in the economy, we are currently witnessing the fall-out of the Asian turmoil, especially as it relates to the semiconductor manufacturers. Areas of strength this quarter in technology included data and telecom services, networking and its equipment manufacturers, Internet and related companies and finally software. On the computer manufacturing side, we are just beginning to see a pick-up after an inventory correction. This bodes well for the disk drive companies too. One area of semiconductors that we have chosen to focus on is the Programmable Logic Device (PLD) companies because of their networking focus. One topic of hot debate this year is how to evaluate Internet stocks where traditional earnings and P/E criteria are not applicable, so we must turn to yardsticks such as revenue growth, sales to price ratios and discounted cash flow models. The new era logic is that there is more to a company than its bottom line. Actually, this is just a restatement of an evaluation method that the market uses when earnings are absent. It is called cash flow or earnings before income taxes, depreciation and amortization (EBITDA). This brings us full circle to the bottom line that *cash is the key,* whether it is Internet, software or cable stocks that we are analyzing.

To counterbalance our concerns in the technology sector, we have added significantly to our exposure to the media, leisure, entertainment and cable companies, cable equipment and construction companies and most importantly the media content companies. These companies have accelerating growth, strong cash flow, little Asian exposure and an improving technology content. Also, cable has a significant advantage as coaxial cable has more capacity than traditional copper cable, and many operators are installing fiber optic wiring for additional speed and capacity for phone and Internet service. Recently the focus in this area has intensified as AT&T has proposed to acquire Tele-Communications, Inc., thus adding credibility and acceptance to the thesis that access to the home for entertainment and Internet activities will be through the coaxial cable or fiber-optic connection rather than the phone line. While the sophistication of the cable box will increase exponentially and the construction and buildout projects will be huge, the big payoff will, in our opinion, be for the content providers.

In the healthcare area, this quarter has seen difficult times for the Physician Practice Management (PPM) and Health Management Organization (HMO) companies. We have invested in smaller PPMs focused on less competitive markets and in high quality HMOs. We have also maintained our investments in the drug and biotechnology areas. Our overall exposure to the sector remains relatively low but we anticipate increasing it over the next two quarters by focusing on medical software and information systems.

Retailing and business services have shown strong growth during the quarter. These companies have relatively little exposure to Asia and the consumer cycle in the USA has remained strong. We continue to focus on companies whose product transition is almost complete and where management changes have been implemented. It remains a challenge to find growth companies at a reasonable price in this sector.

In the oil and gas services and drilling sector we have scaled back our positions as crude prices declined in spring and early summer. Day rates have started to come down as rigs have come off contract and earnings estimates have been cut across the board. While we believe that weak current demand obscures longer-term growth dynamics, we believe the improvement in the sector has been pushed out and is only mitigated by the ongoing consolidation in the industry. Therefore, we continue to focus on those companies with a high technology component serving specialized areas such as seismic services, marine data library work and deep water drilling.

Outlook

The US macro-economic picture remains relatively favorable despite dislocations due to Asia. Of concern is the potential for reduced earnings growth for the remainder of 1998 and first half of 1999 especially as it relates to certain areas of technology. We remain cautiously optimistic for the remainder of 1998 and take great comfort in our media, leisure and telecommunications exposure.

On a more positive note, inflationary pressures remain muted and the interest rate environment benign. Flows of funds into the equity market remain strong, led by the mutual funds and international institutions. Markets are again at all time highs, and as households continue to switch from real assets (home and auto ownership) to financial assets (equities and leases), we continue to believe there is significant life left in the bull market.

Nevertheless, it is important to remain vigilant. We should no longer look for a general sell-off or an old fashioned bear market, but rather a series of sector disappointments and rolling corrections as one industry runs out of steam and another picks up the pace. Money is not leaving the market, it is just going to other places in a restless rotation. We are always poised to take advantage of this, using our liquidity to initiate or increase positions, especially where we can buy long-term earnings growth at a reasonable price.

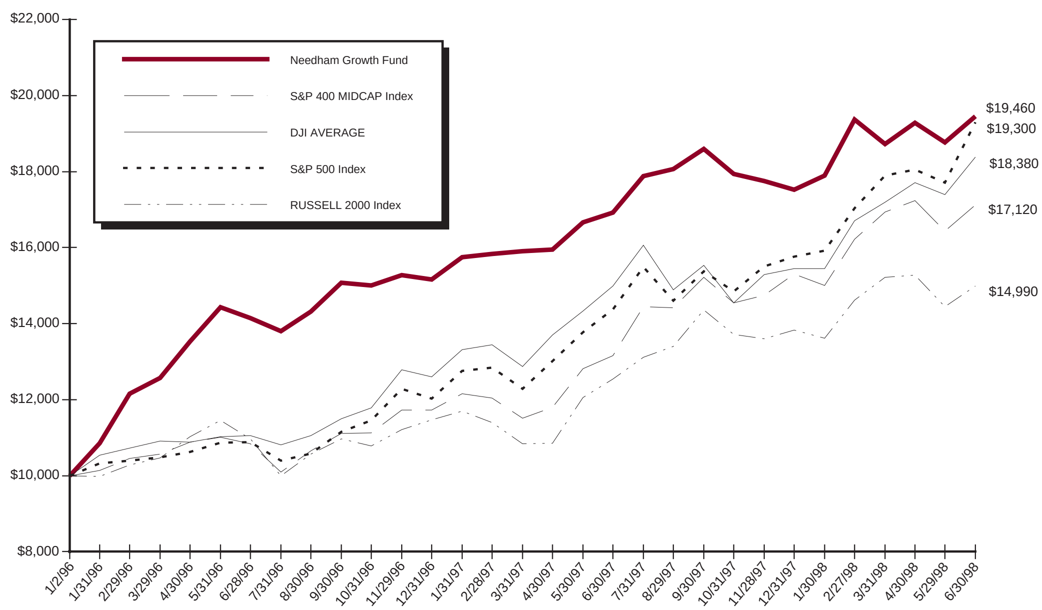
The Needham Growth Fund thanks you for your interest, support and confidence. If you have any questions, concerns or thoughts, please don't hesitate to call us at 212-705-0327.

Yours sincerely,

Peter J. R. Trapp
Portfolio Manager

NEEDHAM GROWTH FUND
Comparative Investment Returns

An initial investment of $10,000 as of January 1, 1996 (inception) would be worth $19,460 as of June 30, 1998



The above illustration compares a $10,000 investment in the Needham Growth Fund on January 1, 1996 to a $10,000 investment in the noted benchmarks on that date. All dividends and capital gain distributions are reinvested.

The Fund's performance takes into account all applicable fees and expenses. The benchmarks are widely accepted unmanaged indices of overall market performance and do not take into account charges, fees and other expenses.

Past performance is not predictive of future performance. The Fund's share price and return will vary so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Statement of Net Assets *(Unaudited)*

June 30, 1998

	Shares	Value
Common Stocks - (94.0%)		
Aerospace - (2.4%)		
Boeing Co.	10,000	$ 445,625
Business Services - (8.8%)		
Amdocs, Ltd. *	50,000	756,250
Harte-Hanks, Inc. †	20,000	516,250
West TeleServices Corp. *	30,000	363,750
		1,636,250
Cable - (15.4%)		
CBS Corp.	5,000	158,750
Cablevision Systems Corp., Class A *	10,000	835,000
Comcast Corp., Class A	22,000	893,063
Tele-Communications, Inc., Liberty Media Group, Series A *	15,000	582,187
Tele-Communications, Inc., TCI Group, Series A * †	10,000	384,375
		2,853,375
Computer Hardware - (3.7%)		
Compaq Computer Corp.	20,000	567,500
Iomega Corp. *	20,000	117,500
		685,000
Computer Software - (3.9%)		
Novell, Inc. *	30,000	382,500
Remedy Corp. *	20,000	340,000
		722,500
Contract Manufacturing - (1.7%)		
Altron, Inc. *	25,000	321,875
Data Processing - (5.7%)		
Electronic Data Systems Corp. †	10,000	400,000
First Data Corp. †	20,000	666,250
		1,066,250
Diversified - (2.6%)		
Seagram Company, Ltd.	12,000	491,250
Electronic Design Automation - (1.1%)		
Mentor Graphics Corp. * †	20,000	211,250
Electronics & Electrical Equipment - (2.9%)		
C-Cor Electronics, Inc. *	10,000	190,000
Remec, Inc. *	30,000	341,250
		531,250
Healthcare - (9.9%)		
American Oncology Resources, Inc. *	30,000	366,562
Columbia/HCA Healthcare Corp.	20,000	582,500
Medaphis Corp. *	40,000	240,000
ProMedCo Management Co. *	10,000	102,500
Wellpoint Health Networks, Inc. * †	7,500	555,000
		1,846,562

See accompanying notes to financial statements.

	Shares	Value
Internet - (2.9%)		
America Online, Inc. *	5,000	$530,000
Leisure & Entertainment - (7.4%)		
Hasbro, Inc.	20,000	786,250
Viacom, Inc., Class B * †	10,000	582,500
		1,368,750
Networking & Communications - (3.6%)		
ADC Telecommunications, Inc. *	10,000	365,313
3Com Corp.*	10,000	306,875
		672,188
Oil Equipment & Services - (6.6%)		
BJ Services Co. *	10,000	290,625
EVI Weatherford, Inc. *	5,000	185,625
Transocean Offshore, Inc.	10,000	445,000
Varco International, Inc. *	15,000	297,188
		1,218,438
Pharmaceuticals - (3.7%)		
Pharmacia & Upjohn, Inc. †	15,000	691,875
Retailing - (3.3%)		
Saks Holdings, Inc. *	10,000	276,250
Sunglass Hut International, Inc. * †	30,000	331,875
		608,125
Telecommunications - (8.4%)		
Allegiance Telecom, Inc. *	1,000	15,000
Northern Telecom, Ltd.	10,000	567,500
Telecomunicacoes Brasileiras S.A., Sponsored ADR	9,000	982,687
		1,565,187
Total Common Stock (Cost $16,365,383)		**17,465,750**
Preferred Stock - (3.0%)		
Leisure & Entertainment		
News Corporation, Ltd., Sponsored ADR (Cost $454,950)	20,000	565,000

	Par (000)	
Short-Term Investments - (1.8%)		
Commercial Paper		
Texas Utilities Co. 6.90%, Due 07/01/98 (Cost $340,000)	$ 340	340,000

See accompanying notes to financial statements.

	Shares	Value
Investment Companies - (1.6%)		
H & Q Healthcare Investors Fund	10,000	$ 160,625
H & Q Life Sciences Investors Fund	10,000	131,875
Total Investment Companies (Cost $308,407)		**292,500**

	Number of Contracts	
Name/Expiration Date/Strike Price		
Put Options Purchased - (1.0%)		
Philadelphia Semi-Conductor Index, August $235	50	43,750
Philadelphia Semi-Conductor Index, August $240	50	54,375
Philadelphia Semi-Conductor Index, August $255	50	91,875
Total Put Options Purchased (Cost $242,950)		**190,000**
Total Investments - (101.4%) (Cost $17,711,690)		**18,853,250**
Other Liabilities in Excess of Assets - (-1.4%)		
Receivable from Brokers for Securities Sold Short		2,225,094
Receivable for Investment Securities Sold		985,690
Securities Sold Short at Value (proceeds - $2,225,094)		(2,145,000)
Payable for Investment Securities Purchased		(1,210,182)
Organization Costs Payable to Distributor		(78,907)
Net Amounts due to Affiliates		(44,553)
Net Other Liabilities		(6,305)
		(274,163)
Net Assets - (100.0%) (Applicable to 1,160,413 shares outstanding, $.001 par value, 1,000,000,000 shares authorized)		**$ 18,579,087**
Net Asset Value, Offering and Redemption Price Per Share		**$ 16.01**

** Non-Income producing security*
†Security position is either entirely or partially held in a segregated account as collateral for securities sold short.
ADR - American Depository Receipt

See accompanying notes to financial statements.

Schedule of Securities Sold Short *(Unaudited)*

June 30, 1998

Name of Issuer	*Shares*	*Value*
Credence Systems Corp.	10,000	$ 190,000
DuPont Photomasks, Inc.	10,000	345,000
Gartner Group, Inc., Class A	10,000	350,000
I2 Technologies, Inc.	5,000	175,625
MacDermid, Inc.	10,000	282,500
Powerwave Technologies, Inc.	10,000	167,500
Sirrom Capital Corp.	10,000	260,000
Venator Group, Inc.	10,000	191,250
Visual Networks, Inc.	5,000	183,125
Total Securities Sold Short (Proceeds $2,225,094)		**$2,145,000**

See accompanying notes to financial statements.

Statement of Operations *(Unaudited)*

For the Six Months Ended June 30, 1998

Investment Income	
Dividends	$ 35,416
Interest	45,926
Total Investment Income	**81,342**
Expenses	
Investment Advisory fee	125,282
Administration and Accounting fee	32,500
Distribution fees	25,550
Custodian fee	20,996
Transfer Agent fee	15,000
Legal fee	20,000
Directors' fees	17,967
Audit fee	13,500
Organization expenses	13,142
Shareholders' reports	9,804
Other expenses	49,655
Total Expenses	**343,396**
Expenses Waived and Reimbursable	(92,832)
Net Expenses	**250,564**
Net Investment Loss	**(169,222)**
Net Realized and Unrealized Gain (Loss) on Investment Securities	
Net Realized Gain on Investment Securities	2,386,680
Net Realized Loss on Option Contracts	(387,539)
Change in Unrealized Appreciation of Investment Securities	274,722
Net Gain on Investments	**2,273,863**
Net Increase in Net Assets Resulting from Operations	**$2,104,641**

See accompanying notes to financial statements.

Statement of Changes in Net Assets

	Six Months Ended June 30, 1998 (Unaudited)	Year Ended December 31, 1997
Increase (Decrease) in Net Assets		
Operations:		
Net Investment Income (Loss)	$ (169,222)	$ 86,118
Net Realized Gain on Investment Securities	2,386,680	5,483,523
Net Realized Loss on Option Contracts	(387,539)	(2,314,395)
Change in Unrealized Appreciation (Depreciation) of Investment Securities	274,722	(267,995)
Net Increase in Net Assets Resulting from Operations	**2,104,641**	**2,987,251**
Distributions:		
Net Investment Income	—	(76,131)
Net Realized Gains	—	(3,428,667)
In Excess of Net Realized Gains	—	(37,925)
Total Distributions	—	(3,542,723)
Capital Share Transactions (1):		
Shares Issued	2,272,255	23,293,242
Shares Issued in Reinvestment of Distributions	—	3,271,954
Shares Redeemed	(7,566,845)	(18,620,014)
Net Increase from Capital Share Transactions	(5,294,590)	7,945,182
Total Increase (Decrease) in Net Assets	**(3,189,949)**	**7,389,710**
Net Assets		
Beginning of Period	21,769,036	14,379,326
End of Period	$18,579,087	$21,769,036
(1) Shares Issued and Redeemed:		
Shares Issued	148,685	1,459,181
Shares Reinvested	—	218,994
Shares Redeemed	(497,957)	(1,160,681)
	(349,272)	517,494

See accompanying notes to financial statements.

Financial Highlights

For a Share Outstanding Throughout each Period	*Six Months Ended June 30, 1998 (Unaudited)*	*Year Ended December 31, 1997*	*Year Ended December 31, 1996(*)*
Net Asset Value, Beginning of Period	$14.42	$14.49	$10.00
Income From Investment Operations			
Net Investment Income (Loss)	(0.14)	0.06	(0.11)
Net Gain on Securities (Realized and Unrealized)	1.73	2.26	5.27
Total From Investment Operations	1.59	2.32	5.16
Less Distributions			
Net Investment Income	—	(0.05)	—
Net Realized Gains	—	(2.31)	(0.67)
In Excess of Net Realized Gains	—	(0.03)	—
Total Distributions	—	(2.39)	(0.67)
Net Asset Value, End of Period	**$16.01**	**$14.42**	**$14.49**
Total Return	**11.03%††**	**15.66%**	**51.56%**
Net Assets, End of Period (thousands)	$18,579	$21,769	$14,379
Ratios/Supplemental Data			
Ratio of Expenses to Average Net Assets	2.50%(a)†	2.50%(a)	2.50%(a)
Ratio of Net Investment Income (Loss) to Average Net Assets	(1.70)%(a)†	0.37%(a)	(1.27)%(a)
Portfolio Turnover Rate	388.49%††	724.08%	568.93%

(a) Had certain waivers and reimbursements not been in effect, the ratio of expenses to average net assets, for the periods ended June 30, 1998, December 31, 1997 and December 31,1996, would have been 3.40%, 3.29% and 4.60%, respectively and the ratio of net investment income (loss) to average net assets, for the periods ended June 30, 1998, December 31, 1997 and December 31, 1996, would have been (2.60%), (0.42%) and (3.37%), respectively.

† Annualized

†† Non-Annualized

(*) Fund commenced operations on January 1, 1996.

See accompanying notes to financial statements.

Notes to Financial Statements *(Unaudited)*

1. Organization

Needham Growth Fund (the “Fund") is a portfolio of The Needham Funds, Inc., which is registered under the Investment Company Act of 1940 as a non-diversified, open-end management investment company. The Needham Funds, Inc. was organized as a Maryland corporation on October 12, 1995.

2. Significant Accounting Policies

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Security Valuation: Investments in securities (including options) listed or traded on a nationally recognized securities exchange are valued at the last quoted sales price on the date the valuations are made. Securities regularly traded in the over-the-counter market are valued at the last quoted sales price on the NASDAQ System. If no sales price is available for a listed or NASDAQ security, or if the security is not listed on NASDAQ, such security is valued at a price equal to the mean of the latest bid and ask prices. All other securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Fund’s Board of Directors.

Federal Income Taxes: The Fund's policy is to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Organizational Costs: Organizational costs have been capitalized and are being amortized on a straight line basis over a period of 60 months.

Other: Security transactions are accounted for on the date the securities are purchased or sold. Costs used in determining realized gains and losses on the sale of investment securities are those of specific securities sold. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

3. Investment Advisory And Administrative Services

The Fund has engaged Needham Investment Management L.L.C. (“the Advisor”) to manage its investments. The Fund pays the Advisor a fee at the annual rate of 1.25% of the average daily net asset value of the Fund.

The Advisor has voluntarily agreed to waive its fee for, and to reimburse expenses of, the Fund in an amount that operates to limit annual operating expenses for the year ended December 31, 1998 to not more than 2.50% of average daily net assets. For the six months ended June 30, 1998, the Advisor waived $92,832 of its fee.

PFPC, Inc. (“PFPC”) acts as the Fund’s Administrator. The Fund pays PFPC a fee at the annual rate of 0.10% of the average daily net asset value of the Fund, subject to certain minimums. PFPC also acts as the Fund’s shareholder servicing agent and transfer agent.

Certain officers and directors of the Fund are also officers and directors of the Advisor.

4. Distribution Plan

The Fund has adopted a Distribution Plan pursuant to Rule 12b-1 under the Investment Company Act of 1940. Under the plan, the Fund pays Needham & Company, Inc. and any other distributor or financial institution with which the Fund has an agreement, a fee at an annual rate of 0.25 of 1% of the Fund's daily average net assets. For the six months ended June 30, 1998, the Fund incurred $25,550 of distribution fees.

5. Investment Transactions

The aggregate amount of purchases and sales of investment securities, excluding securities sold short and short-term securities, during the six months ended June 30, 1998 was $72,260,954 and $72,635,829, respectively.

At June 30, 1998, net unrealized appreciation of $1,221,654 was comprised of gross unrealized appreciation and depreciation for financial reporting and federal income tax purposes of $2,035,231 and $813,577, respectively.

6. Option Transactions

The Fund may write call options on securities it owns or has the right to acquire, and may purchase put and call options on individual securities and indices written by others. Put and call options give the holder the right to sell or purchase, respectively, a specified amount of a security at a specified price on a certain date.

Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased by the premium paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid. Options on stock indices differ from options on securities in that the exercise of an option on a stock index does not involve delivery of the actual underlying security and is settled in cash only.

When the Fund writes an option, the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current market value of the option written. Premiums received from writing options which expire unexercised are recorded by the Fund on the expiration date as realized gains from option transactions. When the Fund enters into a closing purchase transaction, the Fund realizes a gain or loss equal to the difference between the cost of a closing purchase transaction and the premium received when the call option was written. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has a realized gain or loss.

7. Short Sale Transactions

Short sales are transactions in which the Fund sells a security it does not own, in anticipation of a decline in the market value of that security. To complete such a transaction, the Fund must borrow the security to deliver to the buyer upon the short sale; the Fund then is obligated to replace the security borrowed by purchasing it in the open market at some later date. The Fund will incur a loss if the market price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund will realize a gain if the security declines in value between those dates. All short sales must be fully collateralized. The Fund maintains the collateral in a segregated account with its custodian, consisting of cash, equities and/or U.S. government securities sufficient to collateralize its obligation on the short positions. At June 30, 1998, equities held by the Fund with a total market value of $3,183,375 were segregated as collateral for its short sales. The Fund may also sell short "against the box" (i.e., the Fund enters into a short sale as described above, while holding an offsetting long position in the security sold short). If the Fund enters into a short sale against the box, it will hold an equivalent amount of the securities to cover its position while the short sale is outstanding. For the six months ended June 30, 1998, the cost of investments purchased to cover short sales and proceeds from investments sold short were $10,900,421 and $13,648,312, respectively.

For financial statement purposes, an amount equal to the settlement amount is included in the Statement of Net Assets as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the short position. Securities sold short at June 30, 1998 and their related market values and proceeds are set forth in the schedule of securities sold short.

8. Components of Net Assets

At June 30, 1998 net assets consisted of:

Paid-in Capital	$15,555,452
Accumulated Net Investment Loss	(159,235)
Undistributed Net Realized Gains	1,961,216
Net Unrealized Appreciation (Depreciation) of Investment Securities	1,221,654
Total Net Assets	$18,579,087

Needham Funds

Needham Growth Fund
445 Park Avenue
New York, New York 10022-2606
1-800-625-7071

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

President
John C. Michaelson

Executive Vice President
and Portfolio Manager
Peter J. R. Trapp

Directors
George A. Needham
John C. Michaelson
Roger W. Johnson
James P. Poitras
F. Randall Smith

Distributor:
Needham & Company, Inc.
445 Park Avenue
New York, NY 10022-2606
212-371-8300

Administrator, Shareholder Servicing
Agent and Transfer Agent:
PFPC Inc.
400 Bellevue Parkway
Wilmington, DE 19809
1-800-625-7071

Custodian:
PNC Bank, N.A.
200 Stevens Drive
Airport Business Center
Lester, PA 19113

Counsel:
Fulbright & Jaworski L.L.P.
666 Fifth Avenue
New York, NY 10103

Independent Auditors:
Ernst & Young LLP
787 Seventh Avenue
New York, NY 10019