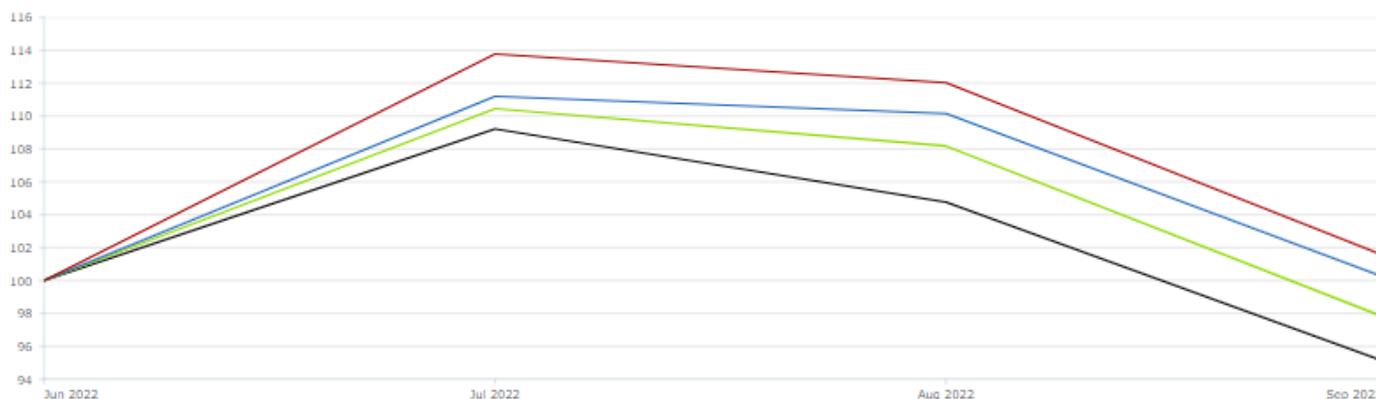


MARKET REVIEW

- In 3Q22, the Russell 2000 Growth returned 0.24%, the Russell 2000 returned -2.19% and the S&P 500 returned -4.88%.
- In July, when investors believed the Federal Reserve might end its rate-raising cycle, the Russell 2000 Growth returned 11.20% and the S&P 500 returned 9.22%. In late July, the Federal Reserve raised interest rates 75 basis points (bps). The markets were down moderately in August. In September, the markets gave back their July gains. The Federal Reserve raised rates another 75 bps in late September to 3.00% - 3.25%. The Fed has indicated plans to increase rates to 4.25% - 4.50% by year-end.



	RETURN
■ Needham Aggressive Growth Institutional	1.56
■ Russell 2000 Growth	0.24
■ Russell 2000	(2.19)
■ S&P 500	(4.88)

MACRO OBSERVATIONS

Source: Zephyr Informais

- 3Q22 was shocking in many ways. We continued to see atrocities from the Russian assault on civilians in Ukraine. European countries sought to end their dependence on Russian natural gas, which resulted in electricity price spikes. Countries and regions must shorten supply chains and become self-sufficient in energy and manufacturing.
- Year-over-year inflation was 8.5% in July 2022 and 8.3% in August. After June 2022, these are the highest levels since 1981.¹
- Real gross domestic product (GDP) decreased by 0.6% in 2Q22 after declining by 1.6% in 1Q22.² A slow economy should rein in inflation. However, as Milton Friedman said, "Inflation is always and everywhere a monetary phenomenon, in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output."³ U.S. Government spending over the last four years has led to an increase in the money supply.

IMPACTS ON PERFORMANCE

- The Fund's Institutional (NEAIX) and Retail (NEAGX) classes returned 1.56% and 1.37%, respectively, in 3Q22, outperforming the Russell 2000 Growth's 0.24% return.
- Eight of the Fund's top ten contributors were outside its top ten holdings. The top contributor was Sharps Compliance (formerly SMED), a medical and pharmaceutical waste processor that was acquired by Aurora Capital Partners at a 207% premium.

- Smith-Midland Corporation (SMID) was the second largest contributor. Smith-Midland manufactures road barriers and other concrete products.
- The Fund's top detractor was Unisys Corporation (UIS), which reported a shortfall in legacy software revenues. Unisys trades at 4x estimated 2023 earnings.
- Bright Horizons Family Solutions Inc. (BFAM) was the second largest detractor. It reported an earnings and guidance shortfall due to recruiting difficulties and slower-than-anticipated enrollment growth. We increased the size of this position in 1H22.
- The Fund closed the quarter with 14.0% cash.
- With 12% turnover, the Fund does not rotate into or out of sectors but invests in companies we believe can outperform over the long term.

PORTFOLIO CHANGES

- The Fund added one new holding, nLight, Inc. (LASR). nLight manufactures fiber lasers for industrial and defense applications. It is adding manufacturing capacity in its Camas, WA facility and focusing on business outside of China. China now comprises 10% of its revenue, down from over 25% a few years ago.
- We took advantage of market weakness to add to many of the Fund's positions, including:
 - Photronics, Inc. (PLAB), which manufactures photomasks to fabricate semiconductors and flat-panel displays. Photronics announced a strong quarter ending July 31. However, it slightly reduced guidance and the stock fell as a power outage in Korea caused a large customer to defer some deliveries. We estimate Photronics is trading at 5x earnings, excluding its \$6/share cash position.
 - Mativ, Inc. (MATV), which makes filtration media and paper and packaging products. Mativ was created by the July 2022 merger of Neenah, Inc. and Schweitzer-Mauduit. We estimate Mativ trades at 8x earnings.
- The Fund exited two positions through takeovers. NeoPhotonics (formerly NPTN) was acquired by Lumentum Holdings, Inc. (LITE) and Sharps Compliance by Aurora Capital Partners.

LOOKING AHEAD & OPPORTUNITIES

- We believe the public markets are not adequately recognizing the value in many of our holdings. Vacasa, Inc. (VCSA) is an example. Vacasa, a vacation rental property management company, went public via SPAC in December 2021. It reported strong results in August and the stock price increased before falling back to where it began the quarter. Vacasa is valued at just \$1.3 billion, with \$800 million cash. It collects cash from customers before paying its vendors. As a result, Vacasa generated \$350 million of cash in 1H22. We believe Vacasa is perceived as "just another SPAC," despite its strategic advantages, low valuation, and cash generation. Vacasa is a 0.98% position and we doubled our position earlier in the year.
- Many of our largest portfolio holdings have made multi-year investments that position them to deliver growth and positive returns over the next few years. We believe if these investments succeed, they could provide a hedge against macroeconomic factors such as inflation.
- The Fund targets investments that we perceive to have significant, unrecognized growth opportunities. COVID-19 hastened the revolutionary development in technology and life sciences; the Fund is a long-term investor in companies that enable research and manufacturing to bring these developments to market.

[1] <https://www.bls.gov/news.release/cpi.nr0.htm>

[2] [https://www.bea.gov/data/gdp/gross-domestic-product#:~:text=Real%20gross%20domestic%20product%20\(GDP,second%2E%80%9D%20estimate%20released%20in%20August](https://www.bea.gov/data/gdp/gross-domestic-product#:~:text=Real%20gross%20domestic%20product%20(GDP,second%2E%80%9D%20estimate%20released%20in%20August)

[3] Milton Friedman, Asia Publishing House for the Council for Economic Education (Bombay), 1963.

	3 MO	YTD	1YR	3YR	5YR	10YR	SINCE INCEPT.
Needham Aggressive Growth Fund Inst Class**	1.56%	-30.25%	-20.20%	18.76%	11.86%	12.94%	10.81%
After Taxes on Distributions	1.56%	-30.25%	-21.41%	16.82%	9.81%	11.36%	9.74%
After Taxes on Distributions & Redemptions	0.92%	-17.91%	-10.40%	14.73%	9.05%	10.39%	9.11%
Needham Aggressive Growth Fund Retail Class	1.37%	-30.61%	-20.73%	17.98%	11.18%	12.29%	10.19%
After Taxes on Distributions	1.37%	-30.61%	-21.98%	16.01%	9.11%	10.69%	9.11%
After Taxes on Distributions and Redemptions	0.81%	-18.12%	-10.66%	14.12%	8.50%	9.82%	8.53%
Russell 2000 Growth Index	0.24%	-29.28%	-29.27%	2.94%	3.60%	8.81%	7.27%
Russell 2000 Index	-2.19%	-25.10%	-23.50%	4.29%	3.55%	8.55%	7.64%
S&P 500 Index	-4.88%	-23.87%	-15.47%	8.16%	9.24%	11.70%	7.71%

Average Annual Returns as of September 30, 2022. The Needham Aggressive Growth Fund inception date is 9/4/01.

**Performance for any periods prior to the inception date of Institutional Class Shares are based on the historical performance of the Retail Class Shares adjusted to assume the expenses associated with Institutional Class Shares.

The Needham Aggressive Growth Fund's Gross Expense Ratio is 1.53% for the Retail Class and 1.82% for the Institutional Class. The Needham Aggressive Growth Fund's Net Expense Ratio is 1.86% for the Retail Class and 1.18% for the Institutional Class. The Net Expense Ratio reflects a contractual agreement by the Fund's investment adviser to waive its fee and/or reimburse the Fund through April 29, 2023, to the extent the Gross Expense Ratio exceeds 1.85% and 1.18% of the average daily net assets of Retail Class Shares and Institutional Class Shares (Expense Cap). The Expense Cap excludes taxes, interest, brokerage, dividends on short positions, fees and expenses of "acquired funds," extraordinary items and shareholder redemption fees but includes the management fee.

[Needham Aggressive Growth Fund Fact Sheet Link](#) [Prospectus Link](#)

Definitions and Disclosures

The information presented in this commentary is not intended as personalized investment advice and does not constitute a recommendation to buy or sell a particular security or other investments. This message is not an offer of the Needham Growth Fund, the Needham Aggressive Growth Fund or the Needham Small Cap Growth Fund (each a "Fund" and collectively, the "Funds"). Shares are sold only through the currently effective prospectus, which must precede or accompany this report. Please read the prospectus or summary prospectus and carefully consider the investment objectives, risks and charges and expenses of the Funds before you invest. To obtain a copy of the Fund's current prospectus, please visit www.needhamfunds.com or contact the Fund's transfer agent, U.S. Bancorp Fund Services, LLC at 1-800-625-7071.

Investment returns and principal value will fluctuate, and when redeemed, shares may be worth more or less than their original cost. Performance data quoted represents past performance and does not guarantee future results. Current performance may be higher or lower than these results. Performance current to the most recent month-end may be obtained by calling our transfer agent at 1-800-625-7071. Total return figures include reinvestment of all dividends and capital gains.

All three of the Needham Funds have substantial exposure to small and micro capitalized companies. Funds holding smaller capitalized companies are subject to greater price fluctuation than those of larger companies. Needham Aggressive Growth Fund's ownership as a percentage of net assets in the stated securities as of 9/30/22: SMID: 2.96%, UIS: 1.23%, BFAM: 1.31%, LASR: 0.82%, PLAB: 0.04%, MATV: 2.05%, NPTN: 0.00%, LITE: 0.00%, SMED: 0.00% and VCSA: 0.98%.

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