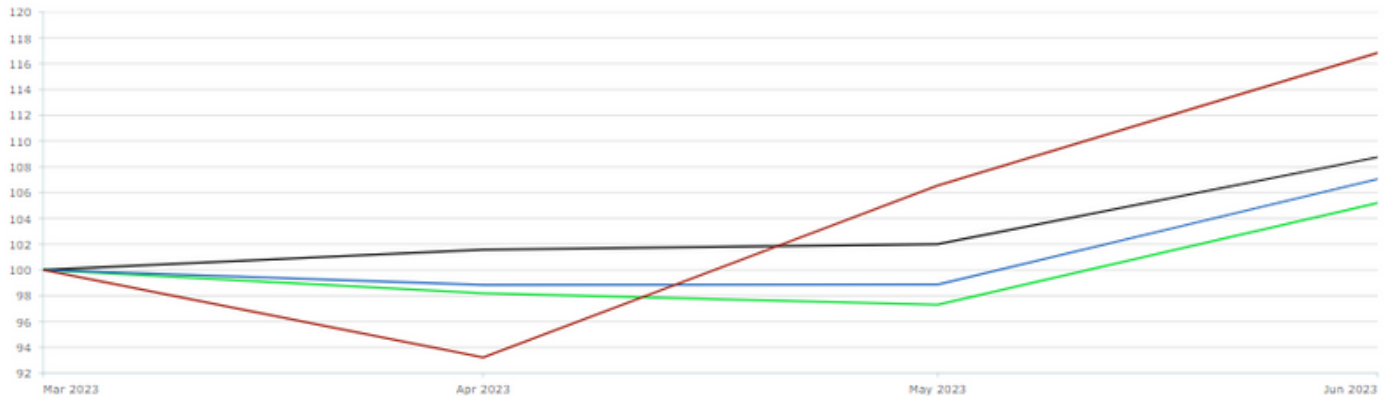


MARKET REVIEW

- In 2Q23, the Russell 2000 Growth returned 7.05%, the Russell 2000 returned 5.21%, and the S&P 500 returned 8.74%.
- On May 3, the Federal Reserve raised interest rates by 25 bps to 5.00% - 5.25% and then paused in June. Fed consensus calls for two more rate hikes in 2023.¹



	RETURN
■ Needham Aggressive Growth Institutional	16.84
■ Russell 2000 Growth	7.05
■ Russell 2000	5.21
■ S&P 500	8.74

Source: Zephyr Informais

MACRO OBSERVATIONS

- Economic and political results were less troublesome than in recent quarters.
- In late May, the House of Representatives passed a bipartisan bill to extend the debt ceiling and reduce growth in Federal spending.
- The economy continued to move forward with the Atlanta Fed’s GDPNow Model, estimating 2Q23 growth of 2.0%, which would make the fourth successive growth quarter.²
- 1Q23 inflation was 4.1% year-over-year, with estimates near 3.0% for 2Q23. 2Q23 will likely be the fourth quarter of 3-4% consumer price index inflation, after 5-7% the preceding four quarters.³
- NVIDIA Corp. (NVDA) reported an epic quarter and guidance based on strong demand for its AI systems. Note that in March, we wrote Growth Factor 36, “Artificial Intelligence and Needham Funds’ Investments”.⁴

IMPACTS ON PERFORMANCE

- The Fund’s Institutional (NEAIX) and Retail (NEAGX) classes returned 16.84% and 16.75%, respectively, in 2Q23, outperforming the Russell 2000 Growth’s 7.05% return.

- As in 4Q22 and 1Q23, Super Micro Computer, Inc. (SMCI) was one of the Fund's top contributors in 2Q23. Super Micro designs and manufactures servers. It reported strong 3Q results that were driven by its high growth Artificial Intelligence GPU (graphics processing units) and rack-scale solutions. Super Micro became the Fund's largest position with 8.41% of net assets as of June 30. The Fund has owned the stock since 2009.
- The second leading contributor was ESI Group SA (ESI-FR). Headquartered in Paris, ESI supplies CAD (computer-aided design) software for the automotive, aerospace, and other heavy industries. It has particular expertise in virtual crash testing. The Fund first purchased ESI in 2021 as we were impressed with new CEO Cristel de Rouvray's plans to increase margins and revenue growth. We were also attracted by the valuation at just 3x enterprise value/revenue compared to more profitable and faster-growing peers trading at 8-10x. In June, ESI announced a merger agreement with Keysight Technologies, Inc. (KEYS).
- The Fund's top detractor was long-time holding KVH Industries, Inc. (KVHI). After selling its inertial navigation and fiber-optic gyroscope business in 2022, KVH is focused on maritime communications. 1Q23 showed 13% year-over-year VSAT (very small aperture terminal) antenna airtime revenue growth and brought new service offerings. We also note that KVH's Board of Directors is evaluating strategic alternatives. Despite these positive developments, the stock price fell.
- With 9% 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 made three large additions to existing holdings. ESI and Unisys Corp. (UIS) were also large additions in 1Q23.
 - ESI Group SA (ESI-FR). After ESI announced in May that it was in acquisition talks, we added to the Fund's position. We thought potential bidders would recognize the value that we saw and Keysight saw.
 - Unisys Corporation is the renaissance of the old-line computer company, with roots back to Sperry Corporation, Burroughs Corporation, and Remington Typewriter. Unisys provides digital workplace solutions, cloud & infrastructure, and enterprise computing. Just as last quarter, we believe ClearPath Forward, Unisys' high-volume transaction processing operating system, alone could be worth multiples of the current stock price.
 - Oil-Dri Corp. of America's (ODC) mission is to add value to sorbent materials. It is a classic Hidden Compounder. It has been investing in lightweight cat litter and Amlan antibiotic-free animal health products for years. In early June, Oil-Dri reported a breakout quarter with 23% revenue growth, 12.7% adjusted net income, and \$1.94 adjusted EPS. We added to the Fund's position after these earnings were announced. The Fund has owned Oil-Dri since 2012.
- The Fund trimmed positions in Clean Harbors, Inc. (CLH), Apple, Inc. (AAPL), Entegris, Inc. (ENTG) and Super Micro for tax purposes and to manage position sizes. We also trimmed Vacasa, Inc. Class A (VCSA) and Telos Corp. (TLS) to capture tax losses. Vacasa is one of our most disappointing investments of the last few years.

LOOKING AHEAD & OPPORTUNITIES

- We continue to see opportunities in the reshoring of manufacturing in the United States. We recommend reading [The Titanium Economy: How Industrial Technology Can Create a Better, Faster, Stronger America](#) by Asutosh Padhi, Gaurav Batra, and Nick Santhaman of McKinsey and Company.⁵ Portfolio holding Clean Harbors, Inc. (CLH) is featured in the book.
- Many of our largest portfolio holdings have made multi-year investments that we believe positions 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.

[1] <https://www.cnbc.com/2023/06/14/the-fed-forecasts-two-more-hikes-this-year-taking-rates-as-high-as-5point6percent.html>

[2] <https://www.atlantafed.org/cqer/research/gdpnow>

[3] <https://www.bls.gov/news.release/pdf/cpi.pdf>

[4] <https://www.needhamfunds.com/wp-content/uploads/2023/03/GF-36-Artificial-Intelligence-and-Needham-Funds-Investments.pdf>

[5] Padhi, Asutosh, et al. *The Titanium Economy How Industrial Technology Can Create a Better, Faster, Stronger America*. PublicAffairs, 2022.

	3 MO	YTD	1YR	3YR	5YR	10YR	SINCE INCEPT.
Needham Aggressive Growth Fund Inst Class**	16.84%	27.60%	35.58%	20.25%	17.68%	14.37%	11.90%
After Taxes on Distributions	16.84%	27.60%	35.58%	19.25%	15.79%	12.76%	10.85%
After Taxes on Distributions & Redemptions	9.97%	16.34%	21.06%	15.99%	13.71%	11.43%	10.05%
Needham Aggressive Growth Fund Retail Class	16.75%	27.31%	34.79%	19.46%	16.97%	13.70%	11.27%
After Taxes on Distributions	16.75%	27.31%	34.79%	18.44%	15.05%	12.09%	10.22%
After Taxes on Distributions and Redemptions	9.92%	16.71%	20.59%	15.36%	13.11%	10.85%	9.46%
Russell 2000 Growth Index	7.05%	13.55%	18.53%	6.10%	4.22%	8.83%	7.84%
Russell 2000 Index	5.21%	8.09%	12.31%	10.82%	4.21%	8.26%	8.05%
S&P 500 Index	8.74%	16.89%	19.59%	14.60%	12.31%	12.86%	8.57%

Average Annual Returns as of June 30, 2023. The Needham Aggressive Growth Fund inception date is September 4, 2001.

**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.

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.

The Needham Aggressive Growth Fund's Gross Expense Ratio is 1.85% for the Retail Class and 1.58% for the Institutional Class. The Needham Aggressive Growth Fund's Net Expense Ratio is 1.88% for the Retail Class and 1.21% 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 May 1, 2024, 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), respectively. 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

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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 June 30, 2023: NVDA: 0.00%, SMCI: 8.41%, ESI-FR: 6.07%, KEYS: 0.00%, KVHI: 2.92%, UIS: 2.51%, ODC: 2.04%, CLH: 1.96%, AAPL: 2.35%, ENTG: 3.31%, VCSA: 0.32% and TLS: 0.04%.

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