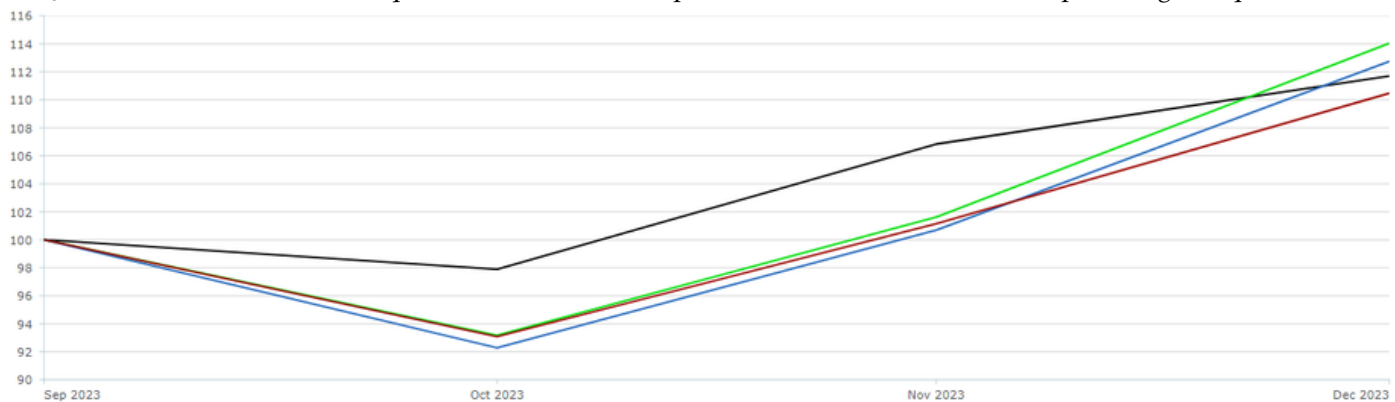


MARKET REVIEW AND MACRO OBSERVATIONS

- In 4Q23, the Russell 2000 Growth returned 12.75% and the Russell 2000 returned 14.03%.
- In September, the Federal Reserve indicated the possibility of one more rate increase in 2023,¹ and the markets were weak in October. Markets rallied after the November Fed meeting when rates remained at 5.25% - 5.50%. At the December meeting, the Fed indicated the possibility of multiple rate cuts in 2024 and the markets rallied.
- 10-year Treasury yields decreased to 3.9% from 4.6% on September 30, which was the highest level since 2007.
- The economy continued to move forward with an estimated 4Q23 GDP growth of 1.5%, well below 3Q23's 5.2%, but positive.
- 4Q23 is estimated to be the sixth quarter of 3-4% consumer price index inflation, after 5-7% the preceding four quarters.



	RETURN
Needham Aggressive Growth Institutional	10.47
Russell 2000 Growth	12.75
Russell 2000	14.03
S&P 500	11.69

Source: Zephyr Informais

IMPACTS ON PERFORMANCE

- In 4Q23, the Fund's Institutional (NEAIX) and Retail (NEAGX) classes returned 10.47% and 10.27%, respectively, underperforming the Russell 2000 Growth's 12.75%. For the year, NEAIX returned 38.37% and NEAGX returned 37.65%, significantly outperforming the indices. For the year, the Russell 2000 Growth returned 18.66%, the Russell 2000 returned 16.93%, and the S&P 500 returned 26.29%.
- The Fund's top contributors in 4Q23 were:
 - Aspen Aerogels, Inc. (ASPN) - Aspen makes aerogel-based insulation used by the energy industry and by the electric-vehicle industry to prevent combustion in Lithium-ion batteries. Aspen had a very eventful quarter. It announced revenue and a forecast ahead of expectations. It also announced winning Stellantis N. V. (STLA) and Audi AG (VOW3-DE) as customers. Finally, Aspen raised \$75 million at \$12.38 per share, which fully funds the company through what we believe could be positive cash flow. We were pleased to increase our long-term holding of Aspen in that offering.
 - Unisys Corp. (UIS) - Unisys reported good results and we believe its stock was well oversold. We continue to see value of \$10 - 20 per share in Unisys, which closed the year at \$5.62 per share.
 - Smith-Midland Corp. (SMID) - Smith-Midland manufactures concrete road barriers, highway, and other commercial

and utility-scale concrete products. It has been investing in a barrier rental fleet and in attracting licensees around the U.S. to manufacture using its designs. Smith-Midland is a beneficiary of government and commercial infrastructure building and reported very strong bookings.

- The Fund had one acquisition announced in the quarter - Alteryx, Inc. (AYX) agreed to go private for \$4.4 billion. The company offers data analytics software that we believe is undergoing a misunderstood transition to SaaS. We appreciate the short-term premium, but had only purchased Alteryx in 3Q23.
- The Fund's top detractor in 4Q23 was Vicor Corp. (VICR). Vicor manufactures power conversion chips used in data centers, cars, and other industrial products. We have been awaiting the opening of Vicor's new plant in Andover, MA, and we believe it will start to contribute in 2024. The plant delays limited capacity and hurt earnings over the last year. In 4Q23, Vicor reported disappointing guidance and the loss of an important customer. We believe the market is moving in Vicor's direction with the high-power requirements of EVs and data centers. Thus, we wait with patience for Vicor to produce better results.
- With 7% 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 had significant inflows in the quarter. It ended the quarter with a 22% cash position, down from 32% on September 30. We had a very productive quarter with seven new investments and additions to existing positions.
- The three largest new holdings are:
 - Asure Software, Inc. (ASUR), a \$200 million market cap SaaS company that offers payroll for small businesses. It services 1.2 million employees and has many growth opportunities, including payroll, tax, 401(k) administration, HR compliance, float, and Asure Marketplace. Asure trades at 1.5x EV/revenue compared to larger midmarket and enterprise peers at 6x. Asure's growth rate is comparable but misunderstood.
 - Huntington Ingalls, Inc.'s (HII) Newport News and Pascagoula shipyards are national treasures. Huntington Ingalls builds aircraft carriers, submarines, and other ships for the U.S. Navy and allies. The company has a 4-year backlog. We see an opportunity for margin expansion.
 - Cognex Corp. (CGNX) is a market leader in supplying machine vision systems. We have known the company for a long time. Results for the last few years have been disappointing as a fall-off in demand for e-commerce warehouse systems hurt the perception of its long-term growth prospects. We believe Cognex has been aiming for growth ahead of its natural rate and believe that our estimates of growth are reflected in the current stock price.
- Major additions:
 - The Fund made major additions to Aspen Aerogels, Vishay Precision Group, Inc. (VPG), and American Software, Inc. (AMSWA). I have discussed Aspen and Vishay many times before. American Software makes supply chain management software for the retail industry. It was a new purchase earlier in 2023. I believe the market misunderstood its 3Q results and the stock sold off. American Software trades at 1.5x enterprise value/sales compared to 6.0-7.0x for its peers that serve the middle and enterprise markets.
- Reduced position:
 - We sold about 15% of our holding in ESI Group SA (ESI-FR) as we awaited the completion of its acquisition by Keysight Technologies, Inc. (KEYS). The acquisition closed on January 18.

OPPORTUNITIES & LOOKING FORWARD

- Our major investment theme remains the importance of U.S. infrastructure—the lesser known “pick and shovel” providers. Our companies sell into data centers, life sciences labs, semiconductor and other manufacturing plants, roads, airports, airbases, power plants, and more.
- The U.S. has underinvested in these areas, so there could be long tail winds.
- I'd like to highlight four areas present throughout our investments:
 1. Semiconductor manufacturing
 2. Data Centers/AI processing
 3. U.S. Manufacturing
 4. Defense technology
- We believe the AI buildout is still in an early stage. Economic returns on AI projects could be a big deal for productivity and the economy. We are hearing from companies about increases in sales from the application of AI.
- In past quarters, we've written about Super Micro Computer, Inc. (SMCI). Super Micro sells AI server racks and was one of the Funds' top contributors in 2023. Super Micro was co-founded in 1993 by Charles Liang, who still owns roughly 12% of the shares and is the Chairman and CEO. The Fund first bought the stock in 2009, when it was still trading around the IPO price of \$8 per share.
- The server market has always been dominated by a few very large competitors, but Super Micro has been innovative, agile and willing to invest for the long term, so we thought it could eventually carve out a nice position in a secular-growth market.
- About three years ago, Super Micro's AI/data center revenue started to grow rapidly. Total revenue has grown over 40% for each of the last two years. AI/data center is now over half of the business and next year's earnings are projected at over \$20 per share.
- Super Micro has grown to the largest position in the Fund at 5.18% of assets. It closed the year at \$284 per share making those first shares a 30-bagger.
- Once again, I think it's a great time to be an entrepreneur and we are lucky to go along for the ride as their financial partners.

[1] <https://www.barrons.com/livecoverage/fed-september-meeting-rate-decision-powell-speech-today/card/fed-s-dot-plot-points-to-one-more-rate-increase-this-year-VVKoDxho88efLq15BdQY>

	3 MO	YTD	1YR	3YR	5YR	10YR	SINCE INCEPT.
Needham Aggressive Growth Fund Inst Class**	10.47%	38.37%	38.37%	11.81%	25.26%	13.44%	12.02%
After Taxes on Distributions	10.47%	38.37%	38.37%	11.24%	24.03%	11.85%	10.99%
After Taxes on Distributions & Redemptions	6.20%	22.71%	22.71%	9.22%	20.57%	10.55%	10.17%
Needham Aggressive Growth Fund Retail Class	10.27%	37.65%	37.65%	11.12%	24.49%	12.78%	11.39%
After Taxes on Distributions	10.27%	37.65%	37.65%	10.53%	23.23%	11.18%	10.36%
After Taxes on Distributions and Redemptions	6.08%	22.29%	22.29%	8.68%	19.90%	9.98%	9.58%
Russell 2000 Growth Index	12.75%	18.66%	18.66%	-3.50%	9.22%	7.16%	7.87%
Russell 2000 Index	14.03%	16.93%	16.93%	2.22%	9.97%	7.16%	8.24%
S&P 500 Index	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%	8.74%

Average Annual Returns as of December 31, 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 December 31, 2023: ASPN: 4.22%, STLA: 0.00%, VOW3-DE: 0.00%, UIS: 2.65%, SMID: 1.79%, AYW: 1.36%, VICR: 2.48%, ASUR: 0.78%, HII: 0.52%, CONX: 0.52%, VPG: 2.63%, AMSWA: 1.21%, ESI-FR: 1.63%, KEYS: 0.00% and SMCI: 5.18%.

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