NeedhamFunds

Needham Aggressive Growth Fund

2Q25 Quarterly Commentary

Portfolio Manager: John O. Barr

Investment Style: Small Cap Growth

Market Review & Macro Observations

- In 2Q25, the Russell 2000 Growth and Russell 3000 returned 11.97% and 10.99%, respectively.

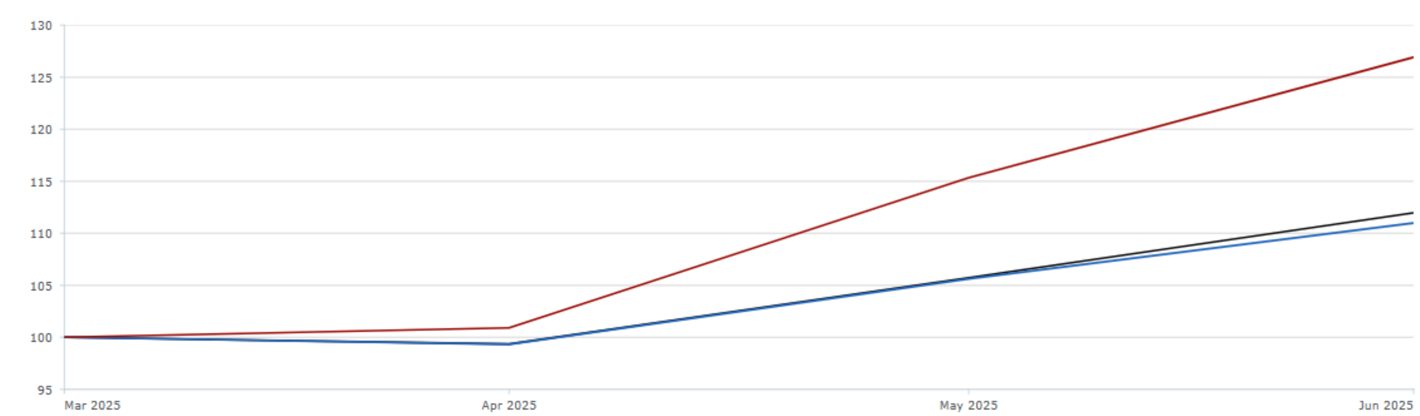
- The market was rocked by President Trump's tariff pronouncements. While the daily volatility was painful, if you had looked only at your month-end statements and ignored the daily news, you would have no idea there were any issues. There is a lesson for all of us.

- The President announced tariffs on April 2 after the market close. The market fell April 3 and bottomed April 7. We tried to determine the impact of the proposed tariffs and concluded that our portfolio companies are adaptable and tariffs may have little impact.[1]

- Economic data and Federal Reserve announcements faded from importance in the face of trade policy discussions.

- We believe it is important to follow Treasury Secretary Scott Bessent's public comments. He has discussed targets of 3% GDP growth, 3% deficit to GDP, and increasing oil production by three million barrels per day. He has also emphasized that his priority is to grow the U.S. economy faster than its debt, and that reshoring U.S. manufacturing, even if it requires dollar devaluation, is a matter of strategic security. The One Big Beautiful Bill Act supports this agenda by offering accelerated depreciation for manufacturing facilities and allowing companies to expense research and development costs, providing incentives for companies, domestic and abroad, to increase investment in the United States.

- Many of our investments are focused on infrastructure broadly defined and could benefit from accelerated reshoring of manufacturing.



	RETURN
Needham Aggressive Growth Institutional	26.92
Russell 3000	10.99
Russell 2000 Growth	11.97

Source: Zephyr Informais

Impacts on Performance

- In 2Q25, the Fund's Institutional (NEAIX) and Retail (NEAGX) classes returned 26.92% and 26.75%, respectively, significantly outperforming the Russell 2000 Growth and the Russell 3000. Among the Fund's many contributors:

  - ThredUP, Inc. (TDUP) is a leading marketplace for the resale of lightly used clothing. ThredUP's U.S. operations were EBITDA positive for the sixth consecutive quarter. We believe ThredUP could benefit from tariffs placed on clothing manufactured abroad. It could also benefit from the elimination of the de minimis tariff exemption, which allows foreign companies, including leading Chinese e-commerce companies Temu and Shein, to ship packages of under $800 into the United States without tariffs. The de minimis tariff exemption ended May 2.

  - nLIGHT, Inc. (LASR) is a leading U.S.-based manufacturer of laser diodes and systems that sells into commercial and defense markets. Our investment thesis is that within five years, high-power lasers could be put in use to defend against drone attacks. nLIGHT has had low-margin DoD funding for several years. In the quarter, Israel announced that an adapted version of its Iron Beam defense system that incorporated a high-power laser was used to shoot down "scores of enemy threats," including rockets, mortars, and drones.[2] After years of research, the U.S. Army reported a successful test at Fort Sills and inclusion of the Enduring High Energy Laser program in the fiscal year 2026 budget. This will be the first U.S. directed-energy program of record. These announcements are happening several years earlier than we had expected.

  - FARO Technologies, Inc. (FARO) provides 3D measurement and imaging solutions including portable measurement arms, laser scanners and trackers, and software used in manufacturing, construction, and public service markets. For years, the company spent too much effort pursuing unrealistic growth targets. CEO Peter Lau joined the company in July 2023 and transformed the business. He focused the company, controlled expenses, and achieved realistic growth. In May, AMETEK, Inc. (AME) announced the acquisition of FARO. We expect FARO will be our third acquisition to close this year, after Altair Engineering, Inc. (formerly ALTR) in 1Q and Logility Supply Chain Solutions, Inc. (formerly LGTY) in 2Q.

- The Fund's top detractor was small relative to the contributors in this very positive quarter:

  - Northern Technologies International Corp. (NTIC) supplies chemicals for rust prevention for automotive and other industries. The company is investing in sales for its ZERUST corrosion mitigation solutions for storage tanks and pipeline casings for the oil and gas industry. Northern Technologies' Natur-Tec division uses its materials expertise to make biodegradable resins, plastic bin-liners, and cutlery products. ZERUST and Natur-Tec announced double digit, year-over-year revenue declines, although both are expected to turn positive in the second half of 2025.

- With 14% annualized turnover, the Fund does not rotate into or out of sectors but invests in companies we believe may outperform over the long term.

Portfolio Changes

- The Fund ended the quarter with a 1.0% cash position. The three largest new investments were in Select Water Solutions, Inc. Class A (WTTR), Sportradar Group AG Class A (SRAD), and in the IPO of Circle Internet Group, Inc. (CRCL). The three largest additions to established positions were Vishay Intertechnology, Inc. (VSH), Thinkific Labs, Inc. (THNC), and TETRA Technologies, Inc. (TTI).

- The Fund exited its position in Logility after its acquisition by private-equity backed Aptean closed. The largest reductions to existing positions were thredUP, nLight and Carter's Inc. (CRI).

Opportunities & Looking Forward

- We believe that to achieve our mission of creating wealth for long-term investors, we must assume that, a few years out, the U.S. economy will be largely fine. It's interesting to consider the news and the bear cases, but to create wealth over time requires one to be an optimist at heart.

- The Trump Administration's economic development strategy has a goal of revitalizing manufacturing in the United States. Our major investment theme remains the importance of U.S. infrastructure — the lesser-known "pick and shovel" providers. Our portfolio companies sell into data centers, life sciences labs, semiconductor and other manufacturing plants, roads, airports, power plants, and more. Despite the current uncertainty, the U.S. has underinvested in these areas, so there may be long tailwinds. After this market pull-back, we believe there may be compelling valuations in our small-cap "picks and shovels" universe.

- Four areas present throughout our investments:
  - Semiconductor Manufacturing
  - Data Centers/AI Processing
  - U.S. Manufacturing
  - 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.

- For additional information, please see *The Growth Factor Vol. 44*, "The Tariff Tantrum and Opportunities," which we published during the quarter.

[1] https://www.needhamfunds.com/growth-factor/the-tariff-tantrum-and-opportunities/

[2] https://www.twz.com/news-features/israels-iron-beam-laser-air-defense-system-has-downed-enemy-drones#:~:text=In%20its%20definitive%20form%2C%20Iron,economically%20viable%2C%E2%80%9D%20Rotem%20added.

	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Needham Aggressive Growth Fund Inst Class**	26.92%	11.20%	9.54%	23.37%	19.22%	15.04%	12.37%
After Taxes on Distributions	26.92%	11.20%	9.54%	23.37%	18.62%	13.51%	11.41%
After Taxes on Distributions & Redemptions	15.94%	6.63%	5.65%	18.62%	15.53%	11.90%	10.53%
Needham Aggressive Growth Fund Retail Class	26.75%	10.92%	8.98%	22.71%	18.50%	14.38%	11.75%
After Taxes on Distributions	26.75%	10.92%	8.98%	22.71%	17.89%	12.84%	10.78%
After Taxes on Distributions and Redemptions	15.84%	6.46%	5.32%	18.07%	14.92%	11.32%	9.94%
Russell 2000 Growth Index	11.97%	-0.48%	9.73%	12.38%	7.42%	7.14%	7.97%
Russell 3000 Index	10.99%	5.75%	15.30%	19.08%	15.96%	12.96%	9.50%

Average Annual Returns as of June 30, 2025. The Needham Aggressive Growth Fund inception date is September 4, 2001.

**Performance for any periods prior to the inception date of Institutional Class Shares is 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.

Current month-end performance and a copy of the prospectus are available at www.needhamfunds.com or by contacting the Fund's transfer agent, U.S. Bancorp Fund Services, LLC at 1-800-625-7071.

The Needham Aggressive Growth Fund's Gross Expense Ratio is 1.67% for the Retail Class and 1.48% for the Institutional Class. The Needham Aggressive Growth Fund's Net Expense Ratio is 1.60% for the Retail Class and 1.20% 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, 2026, 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 Prospectus

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. Please read the prospectus carefully 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.

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, 2025: TDUP: 5.29%, LASR: 3.61%, FARO: 4.12%, AME: 0.00%, ALTR: 0.00%, LGTY: 0.00%, NTIC: 0.46%, WTTR: 0.10%, SRAD: 0.12%, CRCL: 0.13%, VSH: 2.02%, THNC: 0.45%, TTI: 0.30% and CRI: 0.28%.

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The Russell 3000® Index measures the performance of the largest 3,000 US companies representing approximately 96% of the investable US equity market, as of the most recent reconstitution. The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included. The Russell 2000 Growth Index includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values. An investor cannot invest directly in an index. Needham & Company, LLC is a wholly owned subsidiary of The Needham Group, Inc. Needham & Company, LLC, member FINRA/SIPC, is the distributor of The Needham Funds, Inc.