

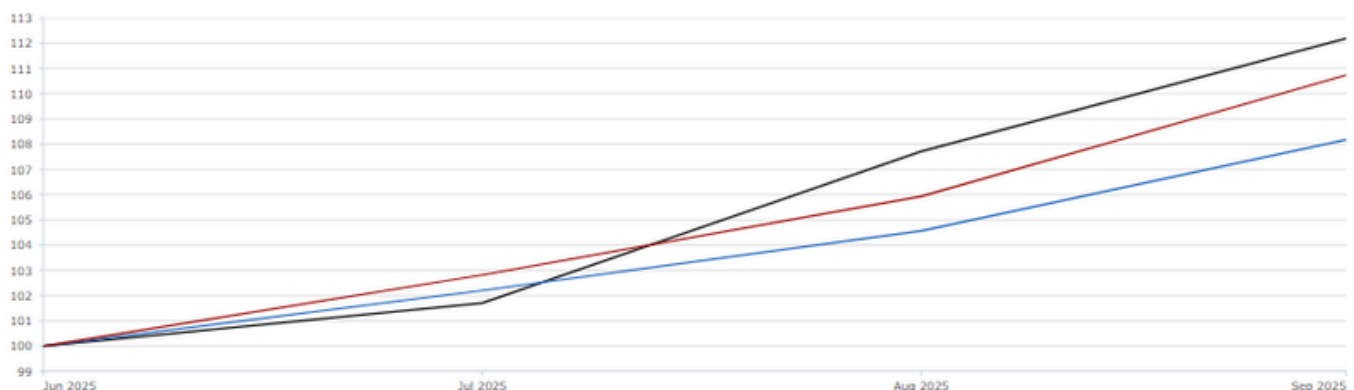
3Q25 Quarterly Commentary

Portfolio Manager: John O. Barr

Investment Style: Small Cap Growth

Market Review & Macro Observations

- In 3Q25, the Russell 2000 Growth and Russell 3000 returned 12.19% and 8.18%, respectively.
- 3Q25 was less exciting than the “Tariff Tantrum” volatility of 2Q25. The markets settled more into watching events and results rather than trading on Tweets. Economic results beat expectations, which were better than expected in 2Q.
- Core inflation was 3.1% in July and August, relatively flat with June’s 2.9%.¹ Unemployment in August was 4.3%, slightly up from 4.2% in July, and job growth slowed.² 2Q25 GDP was +3.8%, and growth for the whole year is estimated at just +1.7%. Economists believe trade and tariffs will slow growth in 4Q. Forecasters had expected 2Q growth to be 1-2%.³ At its September meeting, the Fed Open Market Committee cut the target rate from 4.25 – 4.50% to 4.00 – 4.25% and the market expects further cuts in 4Q25.⁴ The current account deficit fell to \$251 billion, the lowest level in five quarters. Tariff revenue is ahead of estimates, and despite the tariffs, the economy prospered in 2Q.⁵
- 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 3 million barrels per day. In 2Q25, GDP growth was 3.8%, the deficit to GDP was 3.3%, down from 6.0% in 1Q25. Oil production set records in June and July at 13.5-13.6 million barrels/ day, up from 13.3 million in 1Q25.
- Bessent has also emphasized his priority 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. Many of our investments are focused on infrastructure, broadly defined, and could benefit from accelerated reshoring of manufacturing.



	RETURN
Needham Aggressive Growth Institutional	10.73
Russell 3000	8.18
Russell 2000 Growth	12.19

Source: Zephyr Informais

Impacts on Performance

- Our mission is to create wealth for long-term investors. The Fund's investment strategy is to buy and hold Hidden Compounders until some become Quality Compounders.⁶
- In 3Q25, the Fund's Institutional (NEAIX) and Retail (NEAGX) classes returned 10.73% and 10.62% respectively, slightly underperforming the Russell 2000 Growth and outperforming the Russell 3000. Year-to-date through September 30, the Fund returned 23.14% and 22.70%, respectively, significantly outperforming the Russell 2000 growth's 11.65% and the Russell 3000's 14.40%.
- Two of the Fund's top contributors benefited from the emergence of counter-drone laser defense contracts.
- Among the Fund's top contributors:
 - nLIGHT, Inc. (LASR) is a leading U.S.-based manufacturer of laser diodes and systems that sells into commercial and defense markets. For the second consecutive quarter, nLight was a top contributor. Our investment thesis in 2022 was that within five years, high-power lasers could be used to defend against drone attacks. It appears to be happening even faster. For the first time, nLight reported a very strong quarter led by its defense business. We expect significant developments in laser defense over the next year and believe nLight could benefit.
 - Electro Optic Systems Holdings Limited (EOS-AU) was a new holding in 2024. EOS supplies kinetic remote weapons systems, which are deployed on mobile vehicles in Ukraine and in other regions. EOS has a strong European business and a growing presence in Huntsville, AL, where it is headquartered. As Europe increases defense spending to 5% of GDP⁷, EOS could benefit. In the third quarter, EOS announced an \$80 million win for a 100 kW laser defense system for a European NATO member, its first such announcement in Europe.
 - ThredUP, Inc. (TDUP) is a leading marketplace for the resale of lightly used clothing. ThredUp beat analysts' estimates and raised guidance. Over the last year, ThredUp has been investing in AI for image search and inbound clothing processing, and it's seeing results. We believe ThredUp knows a lot about consumer purchasing trends and may be viewed as a data and technology logistics company, rather than a consumer retailer.
- The Fund's top detractor was small relative to the contributors in the quarter:
 - Asure Software (ASUR), supplies SaaS for small business payroll, tax and other human capital management. Asure grew 10% year-over-year but slightly missed analyst estimates. I believe it will continue to make progress.
- With 16% trailing-twelve-month turnover, the Fund does not rotate into or out of sectors but invests in companies we believe may outperform over the long term. The Fund has typically had turnover of around 10%. The increase to 16% is a result FARO Technology's acquisition in July, (it was 4.1% position at end of 2Q25) and the April acquisition of Logility Supply Chain Solutions (was 2.6% at end of 4Q24).

Portfolio Changes

- The Fund ended the quarter with an 8.3% cash position, due to the FARO acquisition and inflows. The largest new investments were in Box Inc., Class A (Box), BWX Technologies, Inc. (BWXT) and CECO Environmental Corp. (CECO). Among the largest additions to established positions were Bruker Corp. (BRKR), Lincoln Educational Services Corp. (LINC), TETRA Technologies, Inc. (TTI), Universal Technical Institute, Inc. (UTI), and Vishay Intertechnology, Inc. (VSH).
- The Fund exited its position in FARO with its acquisition by Ametek Inc. (AME). The largest reductions to existing positions were ThredUP, Unisys, Inc. (UIS) and Vicor Corp. (VICR).

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.

[1] [bls.gov/bls/news-release/cpi.htm#2025](https://www.bls.gov/bls/news-release/cpi.htm#2025)

[2] <https://www.bls.gov/news.release/pdf/empst.pdf>

[3] <https://www.bea.gov/news/2025/gross-domestic-product-2nd-quarter-2025-third-estimate-gdp-industry-corporate-profits>

[4] <https://www.federalreserve.gov/newsevents/pressreleases/monetary20250917a.htm>

[5] <https://www.bea.gov/news/2025/us-international-transactions-2nd-quarter-2025>

[6] <https://www.needhamfunds.com/growth-factor/maintaining-conviction-during-volatile-markets/>

[7] <https://www.defensenews.com/global/europe/2025/08/29/nato-says-all-allies-to-meet-2-defense-spending-target-this-year/>

	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Needham Aggressive Growth Fund Inst Class**	10.73%	23.14%	22.11%	26.99%	19.32%	17.93%	12.71%
After Taxes on Distributions	10.73%	23.14%	22.11%	26.99%	18.72%	16.35%	11.75%
After Taxes on Distributions & Redemptions	6.35%	13.70%	13.09%	21.61%	15.58%	14.46%	10.85%
Needham Aggressive Growth Fund Retail Class	10.62%	22.70%	21.52%	26.33%	18.62%	17.25%	12.08%
After Taxes on Distributions	10.62%	22.70%	21.52%	26.33%	18.01%	15.67%	11.12%
After Taxes on Distributions and Redemptions	6.29%	13.44%	12.74%	21.07%	14.99%	13.86%	10.25%
Russell 2000 Growth Index	12.19%	11.65%	13.56%	16.68%	8.41%	9.91%	8.40%
Russell 3000 Index	8.18%	14.40%	17.41%	24.12%	15.74%	14.71%	9.76%

Average Annual Returns as of September 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 September 30, 2025: LASR: 4.19%, EOS-ASX: 1.91%, TDUP: 4.97%, ASUR: 1.92%, FARO: 0.00%, LGTY: 0.00%, BOX: 0.48%, BWXT: 0.40%, CECO: 0.83%, BRKR: 0.83%, LINC: 1.88%, TTI: 0.81%, UTI: 1.66%, VSH: 1.88%, AME: 0.00%, UIS: 1.53% AND VICR: 2.28%.

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