Needham Aggressive Growth Fund

1Q26 Quarterly Commentary

Portfolio Manager: John O. Barr

Investment Style: Small Cap Growth

Market Review & Macro Observations

- In 1Q26, the Bloomberg 2000 Growth, Russell 2000 Growth and Russell 3000 returned -0.68%. -2.81% and -3.96%, respectively. Many industries detracted including software, autos, consumer durables, financials, health care equipment, and pharmaceuticals.

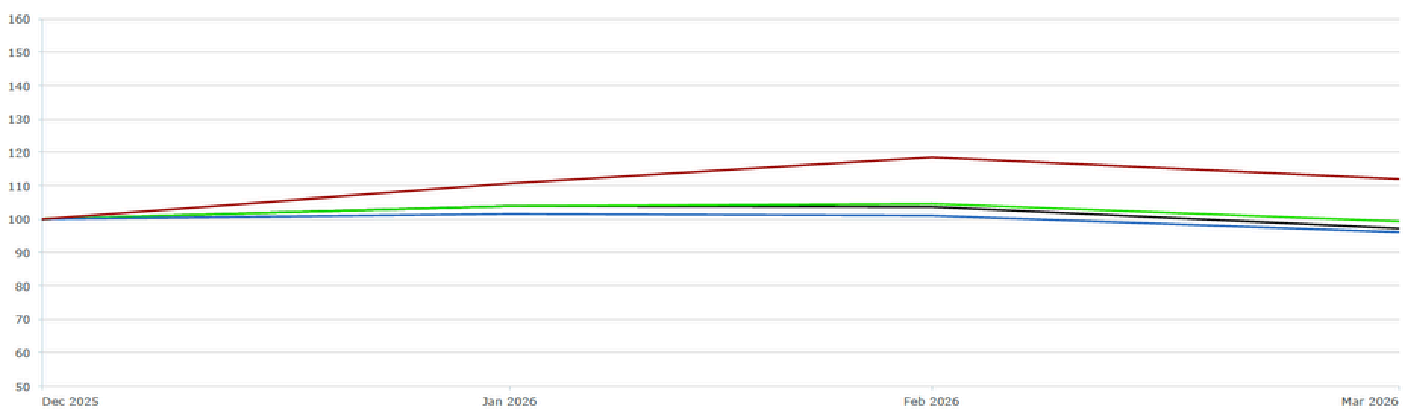
- The major development in 1Q26 was the war with Iran. Following the execution of over 30,000 Iranian protestors by the Iranian government, the United States and Israel initiated a joint war against the military facilities of Iran. The war increased oil prices to over $100/barrel and introduced volatility and uncertainty to the markets.

- Inflation remains above the Federal Reserve's 2.0% target. Core inflation was 2.4% in January and February, with a forecast of 2.6% for March, which is below the December's 2.7%.[1] The war with Iran has led to higher energy prices, however, energy prices are not part of Core CPI.

- In March, the Bureau of Labor Statistics showed unemployment of 4.4% in February, compared to 4.3% in January, and 4.4% in December.[2]

- The Atlanta Fed's GDPNow model forecasts 2.0% annualized GDP Growth for 1Q26, down from over 3.0% just a few weeks ago[3] due to soft construction and consumer spending.[4] Preliminary estimates for 4Q25 GDP growth are 1.4% as the economy suffered from the government shutdown in October and November.[5]

- As expected, at its January and March 2026 meetings, the Fed Open Market Committee maintained interest rates at 3.50 – 3.75%.[6] The market expects one interest rate cut in 2026.[7]



	RETURN
Needham Aggressive Growth Institutional	12.01
Russell 3000	(3.96)
Bloomberg U.S. 2000 Growth	(0.68)
Russell 2000 Growth	(2.81)

Source: Zephyr Informais

Impacts on Performance

- Our mission is to create wealth for long-term investors. The Fund's investment strategy is to find companies when they are Hidden Compounders and hold them until they become Quality Compounders.[8]

- In 1Q26, the Fund's Institutional (NEAIX) and Retail (NEAGX) classes returned 12.01% and 11.92% respectively, significantly outperforming the Bloomberg 3000 and 2000 Growth, and the Russell 3000 and 2000 Growth. The Fund's performance was strong due to its investments in traditional, technology, and defense infrastructure.

- The Fund's top contributors for 1Q26:

    - nLIGHT, Inc. (LASR) is a leading U.S.-based manufacturer of laser diodes and systems. For the fourth 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. Once again, nLight reported a very strong quarter led by its defense business. We expect significant developments in laser defense over the next several years and believe nLight could benefit. nLight also announced the strategic decision to exit its low-margin industrial markets.

    - Vicor Corporation (VICR) designs and manufactures modular power conversion devices. The company reported strong 4Q25 revenue, earnings and outlook. Importantly, it also announced that its new Gen-5 vertical power delivery solution was exceeding technical expectations for its leading AI customer.[9]

    - Vertiv Holdings Co. Class A (VRT) benefited from unprecedented demand for its data center thermal and electrical solutions. Vertiv reported a 2.9x book:bill ratio in 4Q25. Vertiv could see even stronger demand due to the need for liquid cooling in the data center from NVIDIA's (NVDA) next generation Blackwell and Rubin platforms.

- The Fund's top detractors were:

    - ThredUp, Inc. (TDUP) is a leading marketplace for the resale of lightly used women's clothing. ThredUp again exceeded estimates for 4Q25 and raised guidance. We believe ThredUp is on a path to build a much larger business, which should bring margin expansion. We also believe ThredUp's stock price has suffered due to investor concern for consumer spending. Over the last year, ThredUp has been investing in AI for image search and inbound clothing processing, and it is seeing results.

    - Genius Sports Limited (GENI) reported strong 4Q25 results. We believe the stock may have suffered due to the rapid rise of Kalshi and Polymarket and their potential use in the sports gaming market. However, we believe the markets will need the accurate, official league data, which Genius has exclusive rights to relicense to gaming companies. The stock also suffered when Genius announced the acquisition of Legend and its marketing target engine on February 5. While the acquisition has strong potential for revenue and expense synergies, the market does not seem to understand the potential, but does understand that it will add $850 million in debt to a previously clean balance sheet. Showing confidence in the company, co-founder and CEO Mark Locke, Chairman Kenneth Kay, and Legends' executives purchased 1.4 million shares upon the selloff in February. The stock was around $6/share during the week of these purchases.

  - Vital Farms, Inc. (VITL) lowered its guidance in February for the second time in three months. A transition to a new ERP system hurt the ability to ship in 4Q25. We visited Vital Farm's Egg Central in Springfield, MO in December and were impressed with its logistics capabilities. The stock suffered due to concern of the sustainability of its premium pricing and the rise of private label competition. We note that although estimates were lowered, Vital Farms is still expected to grow 18% in 2026 and 2027. At a P/E of 9x 2025 and 2027 estimated earnings, the market does not believe that Vital Farms will grow at 18% per year. We continue to like Vital Farms.

- With 10% trailing 12-month 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 an 6.2% cash position, due to inflows. The largest new investment was MetaTek-Group Ltd. (MTEK-TSE) on its IPO. The Fund also invested in LightPath Technologies Inc. Class A (LPTH), Red Cat Holdings Inc. (RCAT), Unusual Machines Inc. (UMAC) and Draganfly Inc. (DPRO), which are all positioned to benefit from growth in the drone industry. The Fund added MasTec, Inc. (MTZ) and Keller Group Plc (KLR-LON), which could benefit from our themes of investment in U.S. infrastructure.

- Among the largest additions to established positions were CRA International, Inc. (CRAI), Genius Sports Limited, TETRA Technologies, Inc. (TTI), thredUp, Inc., Universal Technical Institute, Inc. (UTI), Vishay Intertechnology, Inc. (VSH) and Vital Farms, Inc.

- The Fund exited Quest Diagnostics Incorporated (DGX), illumin Holdings Inc. (ILLM-CAN) and Aptitude Software Group plc (APTD-LON).

Opportunities & Looking Forward

- History in the United States is on the side of the optimist. One can consider the news and the bear cases but in the end, we assume that over time, the U.S. economy will be fine. As long-term investors, we have the luxury of looking beyond short-term macro issues.

- 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. We continue to believe there may be compelling valuations in our small-cap "picks and shovels" universe.

- Four areas present throughout our investments are: semiconductor manufacturing, data centers/AI processing, U.S. manufacturing and 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.

[1] https://www.bls.gov/opub/ted/2026/consumer-prices-up-2-4-percent-over-the-year-ended-january-2026.htm#:~:text=Consumer%20prices%20up%202.4%20percent,U.S.%20Bureau%20of%20Labor%20Statistics
[2] Bureau of Labor Statistics, The Employment Situation February 2026, released March 6, 2026
[3] https://www.atlantafed.org/-/media/Project/Atlanta/FRBA/Documents/cqer/researchcq/gdpnow/RealGDPTrackingSlides.pdf
[4] Federal Reserve Bank of Atlanta, Current and Past GDPNow Commentaries, March 23, 2026
[5] 22V Research, February 20, 2026
[6] https://www.federalreserve.gov/newsevents/pressreleases/monetary20260318a.htm
[7] https://finance.yahoo.com/economy/policy/articles/many-fed-rate-cuts-now-220500797.html
[8] https://www.needhamfunds.com/growth-factor/maintaining-conviction-during-volatile-markets/
[9] https://www.investing.com/news/stock-market-news/cerebras-systems-picks-morgan-stanley-to-lead-ipo-targeting-2-billion-93CH-4547759

	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Needham Aggressive Growth Fund Inst Class**	12.01%	12.01%	62.49%	27.48%	16.34%	18.80%	13.10%
After Taxes on Distributions	12.01%	12.01%	61.68%	27.27%	15.87%	17.46%	12.14%
After Taxes on Distributions & Redemptions	7.11%	7.11%	37.41%	21.97%	13.10%	15.41%	11.22%
Needham Aggressive Growth Fund Retail Class	11.92%	11.92%	61.80%	26.89%	15.71%	18.13%	12.48%
After Taxes on Distributions	11.92%	11.92%	60.95%	26.66%	15.22%	16.78%	11.51%
After Taxes on Distributions and Redemptions	7.05%	7.05%	37.02%	21.48%	12.56%	14.80%	10.62%
Russell 2000 Growth Index	-2.81%	-2.81%	23.58%	12.27%	1.62%	9.79%	8.15%
Russell 3000 Index	-3.96%	-3.96%	18.09%	17.86%	10.87%	13.72%	9.47%

Average Annual Returns as of March 31, 2026. 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 1.71% for the Retail Class and 1.46% for the Institutional Class. The Needham Aggressive Growth Fund's Net Expense Ratio is 1.64% for the Retail Class and 1.19% 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 March 31, 2027, 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 March 31, 2026: LASR: 6.05%, VICR: 4.85%, VRT: 4.15%, NVDA: 0.00%, TDUP: 1.93%, GENI: 1.09%, VITL: 1.03%, MTEK-TSE: 0.46%, LPTH: 0.34%, RCAT: 0.29%, UMAC: 0.32%, DPRO: 0.02%, MTZ: 0.31%, KLR-LON: 0.12%, CRAI: 1.44%, TTI: 1.83%, UTI: 2.36%, VSH: 2.35%, DGX: 0.00%, ILLM-TSE: 0.00% and APTD-LON: 0.00%.

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The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies representing approximately 96% of the investable U.S. 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.