NeedhamFunds

Needham Aggressive Growth Fund

3Q26 Quarterly Commentary

Portfolio Manager: John O. Barr

Investment Style: Small Cap Growth

Market Review & Macro Observations

- In 3Q26, the Russell 2000 Growth and Russell 3000 returned -9.39%, and 1.41%, respectively. The small-cap Information Technology sector significantly underperformed, after a very strong 1H26.

- Entering 3Q26, we had hoped that the U.S.-Iran Memorandum of Understanding could stabilize the oil market and lead to broader peace in the Middle East. However, the ceasefire collapsed in early July.

- Inflation remains above the Federal Reserve's 2.0% target. The Fed's preferred inflation measure is the Core PCE (Personal Consumption Expenditures), which excludes food and energy because they are seen as volatile. Year-over-year core PCE inflation held at 3.0% in July and August and accelerated to 3.1% in September.[1]

- The Bureau of Labor Statistics reported unemployment rates of 4.2% in June, 4.1% in July and 4.1% in August, consistent with the level of the last 18 months.[2]

- Real GDP grew at a 2.2% annual rate in 2Q26, revised up from 1.5% in both the advance and second estimates.[3] The Atlanta Fed's GDPNow model pointed to even stronger growth for 3Q26: its estimate reached 5.1% in mid-September before ending the month at a solid 3.7%.[4] Growth near 5%, if sustained, would ease many macroeconomic pressures.

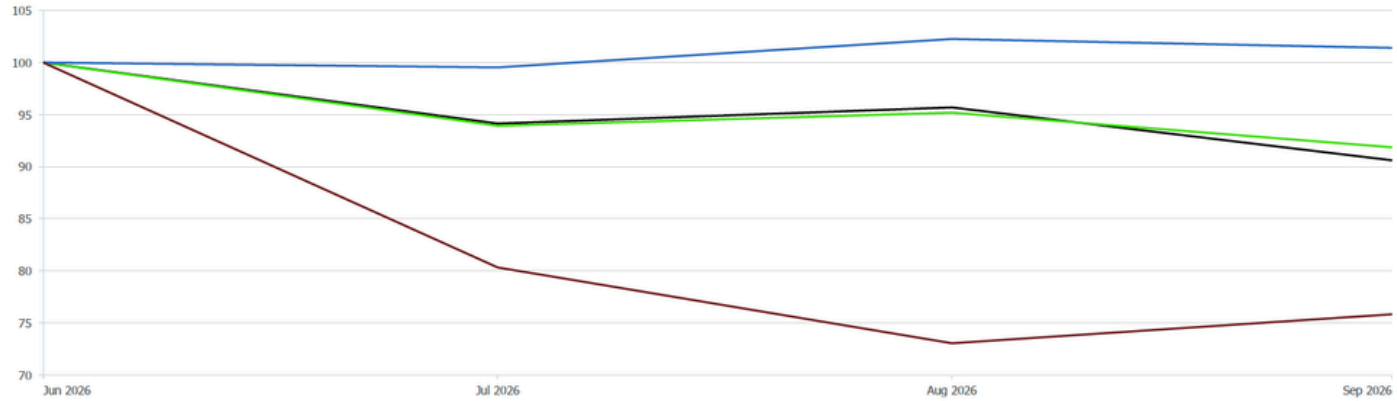
- At its September 2026 meeting, the Fed Open Market Committee raised interest rates to 3.75 – 4.00%, The updated Federal Reserve "dot plot" of future expectations shows one more 25bps increase by the end of 2026.

- 10-year interest rates rose to 5.3% from 4.4% at the beginning of the quarter. 5.3% was the highest since May 2002.[5] Small caps are often under pressure when rates rise. We believe that 5% is a very normal interest rate compared to the very low and zero-interest rate policies of recent years.

- In July and August, semiconductor and AI-related stocks fell. In July, *The Wall Street Journal* reported that NVIDIA was in talks to guarantee $250B of financing for OpenAI to lease a $500 billion data center project in southern Ohio, igniting concern over circular financing and debt funding of data centers and neoclouds.[6] These stocks rebounded in September.

[1] https://www.bea.gov/sites/default/files/2026-10/pi0926.pdf
[2] https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm
[3] https://bea.gov/news/2026/gdp-third-estimate-industries-corporate-profits-state-gdp-and-state-personal-income-2nd
[4] https://www.atlantafed.org/research-and-data/data/gdpnow/current-and-past-gdpnow-commentaries
[5] https://www.cnbc.com/quotes/US10Y
[6] https://www.wsj.com/tech/ai/nvidia-in-talks-with-openai-to-guarantee-250-billion-financing-for-data-center-3dd6eae3

- The large, leveraged AI hedge fund, Situational Awareness LP, blew up in late July. It had almost no direct overlap with our portfolio's holdings. However, its collapse pressured any stocks related to AI.



	RETURN
Needham Aggressive Growth Institutional	(24.19)
Russell 3000	1.41
Bloomberg U.S. 2000 Growth	(8.14)
Russell 2000 Growth	(9.39)

Source: Zephyr Informais

Portfolio 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.[7]

- In 3Q26, the Fund's Institutional (NEAIX) and Retail (NEAGX) classes returned -24.19% and -24.27% respectively. The same holdings that outperformed in 1H26 significantly underperformed in 3Q26. Most of the companies suffered from multiple compression as their businesses produced strong results.

- The Fund's top contributors for 3Q26:

  - **Super Micro Computer, Inc. (SMCI)**, which reported $60 billion in new orders during the quarter ending June 30, and $39 billion of revenue for the fiscal year ending June 30, 2026. Importantly, Super Micro also reported high double-digit gross margins, well above the last few quarters.

  - **908 Devices, Inc. (MASS)** makes handheld chemical analysis devices used in public health, safety, and defense. Its devices identify trace levels of opioids, explosives, chemical agents, and other unknown substances.

  - **CRA International, Inc. (CRAI)** provides consulting services to law firms, corporations, accounting firms, and governments around the world. Legal and regulatory work is a significant portion of its revenue. CRA International, Inc. was a detractor in 1H26 on fears of AI disruption and rebounded in 3Q26.

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

- The Fund's top detractors in 3Q26:

  - **Arteris, Inc. (AIP)** is a leading supplier of network-on-chip (NoC) interconnect IP, which manages data flow between the processors, memory, and other functional blocks on a system-on-chip (SoC). It reported strong bookings, revenue and earnings in the quarter and raised guidance.

  - **nLight, Inc. (LASR)**, makes high-power lasers and laser systems for defense and industrial markets. nLight reported strong 2Q results, but guided 3Q lower as China's increased scrutiny of dual-use exports delayed deliveries of optics and other commodity materials, pushing roughly $17 million of expected 3Q product shipments into later quarters. Management said the affected parts are not complex, and it is working on other sources.

    In July, nLight was selected for the Joint Laser Weapon System (JLWS) program supporting the Department of War's next-generation cruise missile defense architecture, with an initial award of $44 million and a total program ceiling of up to $627 million.[8] Management also said its 1-megawatt laser under the HELSI-2 program remains on track for delivery in late 2026, reinforcing nLight's position in high-energy laser systems.

  - **Vishay Intertechnology, Inc. (VSH)** makes passive components and semiconductors used across industrial, automotive, computing, and other end markets. The Fund first invested in 2024, as CEO Joel Smejkal rolled out Vishay 3.0,[9] a growth strategy built around expanding capacity to serve high-growth markets. 2Q26 results showed strong revenue, earnings, and guidance, bolstered by a 1.32 book-to-bill ratio.

Portfolio Changes

- With 6% 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.

- The Fund ended the quarter with a 3.4% cash position. New investments included AeroVironment, Inc. (AVAV), SCHMID Group N.V. (SHMD), and Wix.com Ltd. (WIX).

- Among the largest additions to established positions were nLight, Inc. (LASR), TETRA Technologies, Inc. (TTI), Twin Disc, Inc. (TWIN), and Vishay Intertechnology, Inc. (VSH).

- Among the positions exited were Blackline Safety (formerly BLN-CA) upon its acquisition by Francisco Partners, Red Cat Holdings Inc. (RCAT), and Transcat, Inc (TRNS).

- Among the largest sales of positions still in the Fund were Bruker Corp. (BRKR) and Vital Farms, Inc. (VITL).

[8] https://investors.nlight.net/news-releases/news-details/2026/nLIGHT-Awarded-627-Million-Joint-Laser-Weapon-System-JLWS-Contract/default.aspx
[9] https://ir.vishay.com/news-releases/news-release-details/vishay-intertechnology-implements-restructuring-actions

Investment Opportunities

- 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.

Five areas present throughout our investments:

1. Semiconductor manufacturing
2. Data Centers/AI processing
3. U.S. Manufacturing
4. Defense technology
5. Public safety

	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Needham Aggressive Growth Fund Inst Class**	-24.19%	26.01%	30.06%	26.66%	16.27%	19.20%	13.36%
After Taxes on Distributions	-24.19%	26.01%	29.42%	26.46%	15.80%	17.86%	12.41%
After Taxes on Distributions & Redemptions	-14.32%	15.40%	18.05%	21.27%	13.00%	15.73%	11.47%
Needham Aggressive Growth Fund Retail Class	-24.27%	25.65%	29.55%	26.07%	15.67%	18.54%	12.73%
After Taxes on Distributions	-24.27%	25.65%	28.87%	25.85%	15.18%	17.18%	11.78%
After Taxes on Distributions and Redemptions	-14.36%	15.19%	17.76%	20.77%	12.49%	15.12%	10.88%
Russell 2000 Growth Index	-9.39%	10.71%	12.05%	17.55%	4.72%	9.90%	8.55%
Russell 3000 Index	1.41%	12.42%	15.13%	22.26%	12.64%	14.73%	9.96%

Average Annual Returns as of September 30, 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 September 30, 2026: SMCI: 2.71%; MASS: 0.96%; CRAI: 1.80%; AIP: 3.84%; LASR: 3.49%; VSH: 4.08%; AVAV: 0.19%; SHMD: 0.27%; WIX: 0.18%; TTI: 1.69%; TWIN: 0.60%; BLN-CA: 0.00%; RCAT: 0.00%; TRNS: 0.00%; BRKR: 0.93%; VITL: 0.48%.

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