

# Prospectus



## THE NEEDHAM FUNDS, INC.

<u>Fund</u>	<u>Ticker Symbol</u>
<b>NEEDHAM GROWTH FUND</b>	
Retail Class	NEEGX
Institutional Class	NEEIX
<b>NEEDHAM AGGRESSIVE GROWTH FUND</b>	
Retail Class	NEAGX
Institutional Class	NEAIX
<b>NEEDHAM SMALL CAP GROWTH FUND</b>	
Retail Class	NESGX
Institutional Class	NESIX

445 Park Avenue  
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1-800-625-7071

**PROSPECTUS**  
**May 1, 2017**

The Securities and Exchange Commission has not approved or disapproved of these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.



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## Summary Section

### *Needham Growth Fund*

#### *Investment Objective*

The Needham Growth Fund (the “Growth Fund”) seeks long-term, tax-efficient capital appreciation.

#### *Fees and Expenses of the Growth Fund*

This table describes the fees and expenses you may pay if you buy and hold shares of the Growth Fund.

	<i>Retail Class</i>	<i>Institutional Class</i>
<b>Shareholder Fees</b> (fees paid directly from your investment)		
Maximum Sales Charge (Load) Imposed on Purchases	None	None
Maximum Deferred Sales Charge (Load)	None	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends and Other Distributions	None	None
Redemption Fee (as a % of amount redeemed) on Shares Held 60 Days or Less	2.00%	2.00%
<b>Annual Fund Operating Expenses</b> (expenses that you pay each year as a percentage of the value of your investment)		
Management Fees	1.25%	1.25%
Distribution and/or Service (12b-1) Fees	0.25%	None
Other Expenses		
Dividends on Short Positions and Interest Expense	0.33%	0.33%
All Remaining Other Expenses	0.34%	0.34%
Total Other Expenses	0.67%	0.67%
Acquired Fund Fees and Expenses	0.01%	0.01%
Total Annual Fund Operating Expenses	2.18%	1.93%
Fee Waiver/Expense Reimbursement (or Recoupment) <sup>(a)</sup>	0.00%	-0.19%
Total Annual Fund Operating Expenses after Fee Waiver/Expense Reimbursement (or Recoupment)	2.18%	1.74%

- (a) Reflects a contractual agreement by Needham Investment Management LLC (the “Adviser”) to waive its fee and, if necessary, reimburse the Growth Fund through May 1, 2018 to the extent Total Annual Fund Operating Expenses exceed 1.95% and 1.40% of the average daily net assets of Retail Class shares and Institutional Class shares, respectively, of the Growth Fund (the “Expense Cap”). This agreement can only be amended or terminated by agreement of the Company, upon approval of the Company’s Board of Directors, and the Adviser and will terminate automatically in the event of termination of the Investment Advisory Agreement between the Adviser and the Company, on behalf of the Growth Fund. For a period of up to 36 months from the time of any waiver or reimbursement pursuant to this agreement, the Adviser may recoup from the Growth Fund fees waived and expenses reimbursed to the extent that such recovery would not cause the total Annual Fund Operating Expenses of the Growth Fund to exceed the lesser of the Expense Cap in effect (i) at the time of the waiver or reimbursement, or (ii) at the time of recoupment. Any such recovery will not include interest. The Expense Cap limitation on Total Annual Fund Operating Expenses 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.

#### **Example**

**This example is intended to help you compare the cost of investing in the Growth Fund with the cost of investing in other mutual funds.**

*The example assumes that you invest \$10,000 in the Growth Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year, that all dividends and distributions have been reinvested, and that the Growth Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:*

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
<b>Retail Class</b>	\$221	\$682	\$1,169	\$2,513
<b>Institutional Class</b>	\$177	\$588	\$1,024	\$2,238

### ***Portfolio Turnover***

The Growth Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Growth Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Growth Fund’s performance. During the most recent fiscal year, the Growth Fund’s portfolio turnover rate was 12% of the average value of its portfolio.

### ***Principal Investment Strategies***

Under normal conditions, the Growth Fund invests at least 65% of its total assets in the equity securities (principally, common stock) of domestic issuers listed on a nationally recognized securities exchange or traded on the NASDAQ System. The Growth Fund may, but is not required to, invest in the securities of companies of any market capitalization and from a variety of industries included in the technology, healthcare, energy and industrials, specialty retailing, media/leisure/cable/entertainment and business and consumer services sectors. These are some of the sectors within the economy which the investment adviser believes will have significant long-term growth rates and often include the stocks of rapidly growing companies with a variety of market capitalizations. Although the Growth Fund’s investments have typically been most heavily weighted in the information technology and healthcare sectors, the allocation of the Growth Fund’s assets among the various sectors may change at any time. The Growth Fund may engage in short sales. The Growth Fund may make a profit or loss depending upon whether the market price of the security sold short decreases or increases between the date of the short sale and the date on which the Growth Fund replaces the borrowed security.

### ***Principal Investment Risks***

*Stock Investing and Market Risks.* The Growth Fund invests primarily in equity securities that fluctuate in value. Political and economic news can influence market-wide trends. Other factors may cause price swings in a single company’s stock or the stocks of the companies within a given industry.

*Growth Investing Risks.* The Growth Fund invests in stocks believed by the investment adviser to have the potential for growth, but that may not realize such perceived potential for extended periods of time or may never realize such perceived growth potential. Such stocks may be more volatile than other stocks because they can be more sensitive to investor perceptions of the issuing company’s growth potential.

*Small Company Investment Risks.* The Growth Fund often invests in smaller companies that may have limited product lines, markets or financial resources. These smaller companies may trade at a lower volume than more widely held securities and may fluctuate in value more sharply than those of other securities.

*Focus Risks.* Although the Growth Fund is classified as “diversified” under the Investment Company Act of 1940, as amended (the “1940 Act”), the Growth Fund may invest its assets in a smaller number of issuers than other, more diversified, funds. The Growth Fund’s net asset value (“NAV”) may be more vulnerable to changes in the market value of a single issuer or group of issuers and may be relatively more susceptible to adverse effects from any single corporate, industry, economic, market, political or regulatory occurrence than if the Growth Fund’s investments consisted of securities issued by a larger number of issuers.

*Market Capitalization Risks.* To the extent the Growth Fund emphasizes stocks of small, mid or large cap companies, it will assume the associated risks. At any given time, any of these market capitalizations may be out of favor with investors. Larger companies may be less responsive to changes and opportunities affecting their business than are small and mid cap companies, though small and mid cap companies tend to have less established operating histories, less predictable earnings and revenues (some companies may be experiencing significant losses), and more volatile share prices than those of larger companies.

*Sector Risks.* To the extent the Growth Fund focuses its investments in securities of issuers in a particular market sector, such as technology companies or healthcare companies, the Growth Fund will be significantly affected by developments in that sector.

Technology companies generally operate in intensely competitive markets. This level of competition can put pressure on the prices of their products and services which could adversely affect their profitability. Also, because technological development in many areas increases at a rapid rate, these companies often produce products with very short life cycles and face the risk of product obsolescence. Other risks include worldwide competition, changes in consumer preferences, problems with product compatibility, the effects of economic slowdowns, and changes in government regulation.

The value of equity securities of healthcare companies may fluctuate because of changes in the regulatory and competitive environment in which they operate. Many healthcare companies offer products and services that are subject to governmental regulation and may be adversely affected by changes in governmental policies or laws. Failure to obtain regulatory approvals or changes in governmental policies regarding funding or subsidies may also adversely affect the value of the equity securities of healthcare companies. Healthcare companies may also be strongly affected by scientific or technological developments and their products may quickly become obsolete. Furthermore, these companies may be adversely affected by product liability-related lawsuits. The securities of companies in these sectors may experience more price volatility than securities of companies in other sectors.

*Short Sales Risks.* Short sales present the risk that the price of the security sold short will increase in value between the time of the short sale and the time the Growth Fund must purchase the security to return it to the lender. The Growth Fund may not be able to close a short position at a favorable price or time and the loss of value on a short sale is potentially unlimited.

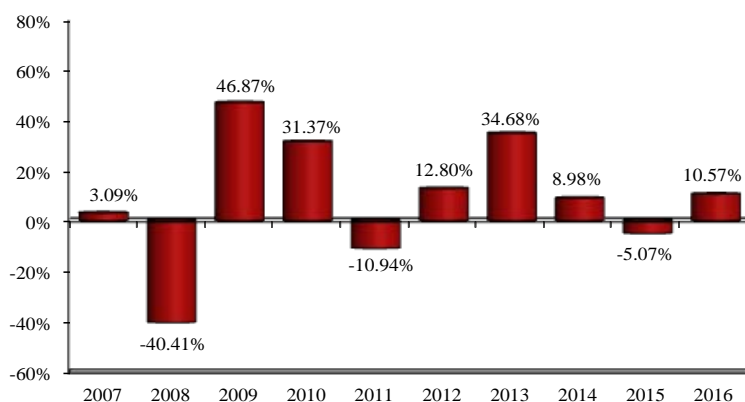
Loss of money is a risk of investing in the Growth Fund.

### ***Bar Chart and Performance Table***

The information in the bar chart and table that follows provides some indication of the risks of investing in the Growth Fund by showing changes in the performance of the Growth Fund's Retail Class shares from year to year and by showing how the Growth Fund's average annual returns for 1, 5 and 10 years and for the life of the Growth Fund compare to those of broad measures of market performance.

The Growth Fund's past performance (before and after taxes) is not necessarily an indication of how the Growth Fund will perform in the future. Updated performance information is available on the Growth Fund's website at [www.needhamfunds.com](http://www.needhamfunds.com).

### **Calendar Year Total Returns as of December 31 – Retail Class**



*During the ten-year period shown in the above chart, the highest quarterly return was 22.23% (for the quarter ended 6/30/2009) and the lowest quarterly return was -26.10% (for the quarter ended 12/31/2008).*

### ***Average annual total returns for the periods ended December 31, 2016***

The following table shows the average annual returns of the Growth Fund's shares, and the change in value of certain broad-based market indices over various periods ended December 31, 2016. The index information is intended to permit you to compare the Growth Fund's performance to several broad measures of market performance.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not include the impact of state and local taxes.

Your actual after-tax returns depend on your tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their shares in a tax-deferred account (including a 401(k) or IRA), or to investors who are tax-exempt. After-tax returns are shown only for Retail Class shares. After-tax returns for Institutional Class shares will vary.

### ***Average annual total returns for the periods ended December 31, 2016***

<b>Needham Growth Fund</b>	<b>1 Year</b>	<b>5 Years</b>	<b>10 Years</b>	<b>Life of Fund (Since 1/1/96)</b>
<b>Retail Class</b>				
Return Before Taxes	10.57%	11.69%	6.26%	12.85%
Return After Taxes on Distributions	9.47%	10.46%	5.32%	11.62%
Return After Taxes on Distributions and Redemption	6.84%	9.31%	5.00%	10.95%
<b>Institutional Class</b>				
Return Before Taxes ^	11.03%	12.15%	6.70%	13.32%
<b>S&amp;P 500® Index*</b>	11.96%	14.66%	6.95%	8.36%
<b>NASDAQ Composite Index*</b>	8.94%	17.19%	9.60%	9.00%
<b>S&amp;P MidCap 400® Index*</b>	20.74%	15.33%	9.16%	11.66%
<b>Russell 2000® Index*</b>	21.31%	14.46%	7.07%	8.03%

^The inception date for the Growth Fund's Institutional Class shares is December 30, 2016. Average annual total return information for the periods prior to the inception date reflects the actual performance of the Growth Fund's Retail Class shares (and uses the actual expenses of the Growth Fund's Retail Class for such periods of time), without any adjustments.

\*Comparative indices reflect no deductions for fees, expenses, or taxes.

### ***Investment Adviser***

Needham Investment Management LLC is the investment adviser of the Growth Fund.

### ***Portfolio Managers***

The co-portfolio managers of the Growth Fund are John O. Barr and Chris Retzler, who are jointly and primarily responsible for the day-to-day management of the Growth Fund. Mr. Barr is Executive Vice President and has been Portfolio Manager of the Growth Fund since 2010. Mr. Retzler is Executive Vice President and has been Portfolio Manager of the Growth Fund since 2009.

### ***Purchase, Exchange and Redemption of Fund Shares***

You may purchase, exchange, or redeem shares of the Growth Fund at any time by sending a written request to The Needham Funds, c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701, by calling 1-800-625-7071, or by wire transfer.

The minimum initial and subsequent investment amounts are shown below.



<b>Type of Account</b>	<b>To Open Your Account</b>	<b>To Add to Your Account</b>
<i>Retail Class</i>		
Individuals, Corporations, Partnerships, Trusts	\$2,000	\$100
IRAs	\$1,000	None
<i>Institutional Class</i>		
All Accounts	\$100,000	None

***Tax Information***

The Growth Fund intends to make distributions each year. The Growth Fund's distributions are taxable, and will be taxed as ordinary income or capital gains, unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an IRA. Such tax-deferred arrangements may be taxed later upon withdrawal of monies from those arrangements.

***Payments to Broker-Dealers and Other Financial Intermediaries***

If you purchase the Growth Fund through a broker-dealer or other financial intermediary (such as a bank), the Growth Fund and its related companies may pay the intermediary for the sale of Growth Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Growth Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

## *Needham Aggressive Growth Fund*

### *Investment Objective*

The Needham Aggressive Growth Fund (the “Aggressive Growth Fund”) seeks long-term, tax-efficient capital appreciation.

### *Fees and Expenses of the Aggressive Growth Fund*

This table describes the fees and expenses you may pay if you buy and hold shares of the Aggressive Growth Fund.

	<i>Retail Class</i>	<i>Institutional Class</i>
<b>Shareholder Fees</b> (fees paid directly from your investment)		
Maximum Sales Charge (Load) Imposed on Purchases	None	None
Maximum Deferred Sales Charge (Load)	None	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends and Other Distributions	None	None
Redemption Fee (as a % of amount redeemed) on Shares Held 60 Days or Less	2.00%	2.00%
<b>Annual Fund Operating Expenses</b> (expenses that you pay each year as a percentage of the value of your investment)		
Management Fees	1.25%	1.25%
Distribution and/or Service (12b-1) Fees	0.25%	None
Other Expenses		
Dividends on Short Positions and Interest Expense	0.76%	0.76%
All Remaining Other Expenses	0.46%	0.46%
Total Other Expenses	<u>1.22%</u>	<u>1.22%</u>
Acquired Fund Fees and Expenses	<u>0.00%</u>	<u>0.00%</u>
Total Annual Fund Operating Expenses	<u>2.72%</u>	<u>2.47%</u>
Fee Waiver/Expense Reimbursement (or Recoupment) <sup>(a)</sup>	<u>-0.01%</u>	<u>-0.31%</u>
Total Annual Fund Operating Expenses after Fee Waiver/ Expense Reimbursement (or Recoupment)	<u>2.71%</u>	<u>2.16%</u>

- (a) Reflects a contractual agreement by Needham Investment Management LLC (the “Adviser”) to waive its fee and, if necessary, reimburse the Aggressive Growth Fund through May 1, 2018 to the extent Total Annual Fund Operating Expenses exceed 1.95% and 1.40% of the average daily net assets of Retail Class shares and Institutional Class shares, respectively, of the Aggressive Growth Fund (the “Expense Cap”). This agreement can only be amended or terminated by agreement of the Company, upon approval of the Company’s Board of Directors, and the Adviser and will terminate automatically in the event of termination of the Investment Advisory Agreement between the Adviser and the Company, on behalf of the Aggressive Growth Fund. For a period of up to 36 months from the time of any waiver or reimbursement pursuant to this agreement, the Adviser may recoup from the Aggressive Growth Fund fees waived and expenses reimbursed to the extent that such recovery would not cause the total Annual Fund Operating Expenses of the Aggressive Growth Fund to exceed the lesser of the Expense Cap in effect (i) at the time of the waiver or reimbursement, or (ii) at the time of recoupment. Any such recovery will not include interest. The Expense Cap limitation on Total Annual Fund Operating Expenses 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.

### **Example**

**This example is intended to help you compare the cost of investing in the Aggressive Growth Fund with the cost of investing in other mutual funds.**

*The example assumes that you invest \$10,000 in the Aggressive Growth Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year, that all dividends and distributions have been reinvested, and that the Aggressive Growth Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:*

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
<b>Retail Class</b>	\$274	\$843	\$1,439	\$3,050

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
<b>Institutional Class</b>	\$219	\$740	\$1,288	\$2,783

### ***Portfolio Turnover***

The Aggressive Growth Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Aggressive Growth Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Aggressive Growth Fund’s performance. During the most recent fiscal year, the Aggressive Growth Fund’s portfolio turnover rate was 14% of the average value of its portfolio.

### ***Principal Investment Strategies***

Under normal conditions, the Aggressive Growth Fund invests at least 65% of its total assets in the equity securities (principally, common stock) of domestic issuers listed on a nationally recognized securities exchange or traded on the NASDAQ System. The Aggressive Growth Fund invests principally in markets and industries with strong growth potential, focusing primarily on the market leaders in these areas as these companies often garner a disproportionate share of the positive financial returns. Although the Aggressive Growth Fund may invest in companies of any size, the Aggressive Growth Fund’s investment strategy may result in a focus on smaller companies. The Aggressive Growth Fund may, but is not required to, invest in stocks from a variety of industries included in the technology, healthcare, energy and industrials, specialty retailing, media/leisure/cable/entertainment and business and consumer services sectors. Although the Aggressive Growth Fund’s investments have typically been most heavily weighted in the information technology and healthcare sectors, the allocation of the Aggressive Growth Fund’s assets among the various sectors may change at any time. The Aggressive Growth Fund may engage in short sales. The Aggressive Growth Fund may make a profit or loss depending upon whether the market price of the security sold short decreases or increases between the date of the short sale and the date on which the Aggressive Growth Fund replaces the borrowed security.

### ***Principal Investment Risks***

*Stock Investing and Market Risks.* The Aggressive Growth Fund invests primarily in equity securities that fluctuate in value. Political and economic news can influence market-wide trends. Other factors may cause price swings in a single company’s stock or the stocks of the companies within a given industry.

*Growth Investing Risks.* The Aggressive Growth Fund invests in stocks believed by the investment adviser to have the potential for growth, but that may not realize such perceived potential for extended periods of time or may never realize such perceived growth potential. Such stocks may be more volatile than other stocks because they can be more sensitive to investor perceptions of the issuing company’s growth potential.

*Small Company Investment Risks.* The Aggressive Growth Fund often invests in smaller companies that may have limited product lines, markets or financial resources. These smaller companies may trade at a lower volume than more widely held securities and may fluctuate in value more sharply than those of other securities.

*Focus Risks.* Although the Aggressive Growth Fund is classified as “diversified” under the 1940 Act, the Aggressive Growth Fund may invest its assets in a smaller number of issuers than other, more diversified, funds. The Aggressive Growth Fund’s NAV may be more vulnerable to changes in the market value of a single issuer or group of issuers and may be relatively more susceptible to adverse effects from any single corporate, industry, economic, market, political or regulatory occurrence than if the Aggressive Growth Fund’s investments consisted of securities issued by a larger number of issuers.

*Market Capitalization Risks.* To the extent the Aggressive Growth Fund emphasizes stocks of small, mid or large cap companies, it will assume the associated risks. At any given time, any of these market capitalizations may be out of favor with investors. Larger companies may be less responsive to changes and opportunities affecting their business than are small and mid cap companies, though small and mid cap companies tend to have less established operating histories, less predictable earnings and revenues (some companies may be experiencing significant losses), and more volatile share prices than those of larger companies.

*Sector Risks.* To the extent that the Aggressive Growth Fund focuses its investments in securities of issuers in a particular market sector, such as technology companies or healthcare companies, the Aggressive Growth Fund will be significantly affected by developments in that sector.

Technology companies generally operate in intensely competitive markets. This level of competition can put pressure on the prices of their products and services which could adversely affect their profitability. Also, because technology development in many areas increases at a rapid rate, these companies often produce products with very short life cycles and face the risk of product obsolescence. Other risks include worldwide competition, changes in consumer preferences, problems with product compatibility, the effects of economic slowdowns, and changes in government regulation.

The value of equity securities of healthcare companies may fluctuate because of changes in the regulatory and competitive environment in which they operate. Many healthcare companies offer products and services that are subject to governmental regulation and may be adversely affected by changes in governmental policies or laws. Failure to obtain regulatory approvals or changes in governmental policies regarding funding or subsidies may also adversely affect the value of the equity securities of healthcare companies. Healthcare companies may also be strongly affected by scientific or technological developments and their products may quickly become obsolete. Furthermore, these companies may be adversely affected by product liability-related lawsuits. The securities of companies in these sectors may experience more price volatility than securities of companies in other sectors.

*Short Sales Risks.* Short sales present the risk that the price of the security sold short will increase in value between the time of the short sale and the time the Aggressive Growth Fund must purchase the security to return it to the lender. The Aggressive Growth Fund may not be able to close a short position at a favorable price or time and the loss of value on a short sale is potentially unlimited.

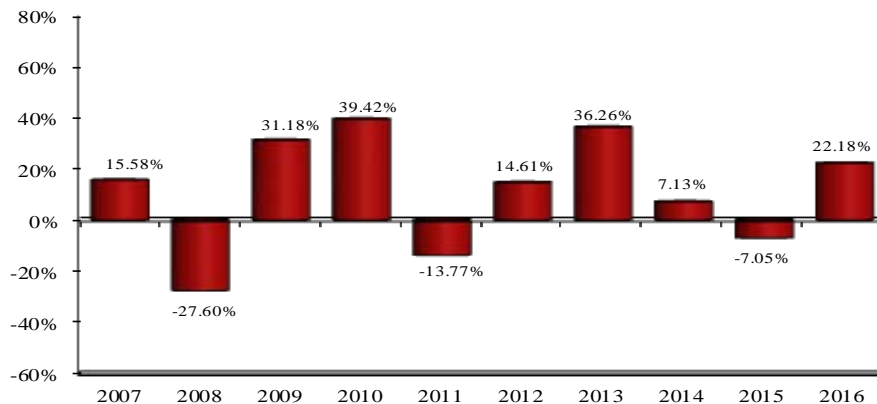
Loss of money is a risk of investing in the Aggressive Growth Fund.

***Bar Chart and Performance Table***

The information in the bar chart and table that follows provides some indication of the risks of investing in the Aggressive Growth Fund by showing changes in the performance of the Aggressive Growth Fund’s Retail Class shares from year to year and by showing how the Aggressive Growth Fund’s average annual returns for 1, 5 and 10 years and for the life of the Aggressive Growth Fund compare to those of broad measures of market performance.

The Aggressive Growth Fund’s past performance (before and after taxes) is not necessarily an indication of how the Aggressive Growth Fund will perform in the future. Updated performance information is available on the Aggressive Growth Fund’s website at [www.needhamfunds.com](http://www.needhamfunds.com).

**Calendar Year Total Returns as of December 31 – Retail Class**



During the ten-year period shown in the above chart, the highest quarterly return was 19.89% (for the quarter ended 6/30/2009) and the lowest quarterly return was -26.93% (for the quarter ended 9/30/2011).

**Average annual total returns for the periods ended December 31, 2016**

The following table shows the average annual returns of the Aggressive Growth Fund’s shares and the change in value of certain broad-based market indices over various periods ended December 31, 2016. The index information is intended to permit you to compare the Aggressive Growth Fund’s performance to several broad measures of market performance.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not include the impact of state and local taxes.

Your actual after-tax returns depend on your tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their shares in a tax-deferred account (including a 401(k) or IRA), or to investors who are tax-exempt. After-tax returns are shown only for Retail Class shares. After-tax returns for Institutional Class shares may vary.

**Average annual total returns for the periods ended December 31, 2016**

<b>Needham Aggressive Growth Fund</b>	<b>1 Year</b>	<b>5 Years</b>	<b>10 Years</b>	<b>Life of Fund (Since 9/4/01)</b>
<b>Retail Class</b>				
Return Before Taxes	22.18%	13.70%	9.63%	9.57%
Return After Taxes on Distributions	20.23%	12.59%	8.70%	8.77%
Return After Taxes on Distributions and Redemption	13.98%	10.87%	7.78%	7.96%
<b>Institutional Class</b>				
Return Before Taxes ^	22.85%	14.32%	10.23%	10.18%
<b>S&amp;P 500® Index*</b>	11.96%	14.66%	6.95%	6.67%
<b>NASDAQ Composite Index*</b>	8.94%	17.19%	9.60%	8.52%
<b>Russell 2000® Index*</b>	21.31%	14.46%	7.07%	8.66%

^The inception date for the Aggressive Growth Fund’s Institutional Class shares is December 30, 2016. Average annual total return information for the periods prior to the inception date reflects the actual performance of the Aggressive Growth Fund’s Retail Class shares (and uses the actual expenses of the Retail Class for such periods of time), without any adjustments.

\*Comparative indices reflect no deductions for fees, expenses, or taxes.

**Investment Adviser**

Needham Investment Management LLC is the investment adviser of the Aggressive Growth Fund.

**Portfolio Manager**

The portfolio manager of the Aggressive Growth Fund is John O. Barr. Mr. Barr is Executive Vice President and has been Portfolio Manager of the Aggressive Growth Fund since 2010.

**Purchase, Exchange, and Redemption of Fund Shares**

You may purchase, exchange, or redeem shares of the Aggressive Growth Fund at any time by sending a written request to The Needham Funds, c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701, by calling 1-800-625-7071, or by wire transfer.

The minimum initial and subsequent investment amounts are shown below.

<b>Type of Account</b>	<b>To Open Your Account</b>	<b>To Add to Your Account</b>
<i>Retail Class</i>		
Individuals, Corporations, Partnerships, Trusts	\$2,000	\$100
IRAs	\$1,000	None
<i>Institutional Class</i>		
All Accounts	\$100,000	None

### ***Tax Information***

The Aggressive Growth Fund intends to make distributions each year. The Aggressive Growth Fund's distributions are taxable, and will be taxed as ordinary income or capital gains, unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an IRA. Such tax-deferred arrangements may be taxed later upon withdrawal of monies from those arrangements.

### ***Payments to Broker-Dealers and Other Financial Intermediaries***

If you purchase the Aggressive Growth Fund through a broker-dealer or other financial intermediary (such as a bank), the Aggressive Growth Fund and its related companies may pay the intermediary for the sale of Aggressive Growth Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Aggressive Growth Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

## *Needham Small Cap Growth Fund*

### *Investment Objective*

The Needham Small Cap Growth Fund (the “Small Cap Growth Fund”) seeks long-term, tax-efficient capital appreciation.

### *Fees and Expenses of the Small Cap Growth Fund*

This table describes the fees and expenses you may pay if you buy and hold shares of the Small Cap Growth Fund.

	<i>Retail Class</i>	<i>Institutional Class</i>
<b>Shareholder Fees</b> (fees paid directly from your investment)		
Maximum Sales Charge (Load) Imposed on Purchases	None	None
Maximum Deferred Sales Charge (Load)	None	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends and Other Distributions	None	None
Redemption Fee (as a % of amount redeemed) on Shares Held 60 Days or Less	2.00%	2.00%
<b>Annual Fund Operating Expenses</b> (expenses that you pay each year as a percentage of the value of your investment)		
Management Fees	1.25%	1.25%
Distribution and/or Service (12b-1) Fees	0.25%	None
<b>Other Expenses</b>		
Dividends on Short Positions and Interest Expense	0.14%	0.14%
All Remaining Other Expenses	0.66%	0.66%
Total Other Expenses	<u>0.80%</u>	<u>0.80%</u>
Acquired Fund Fees and Expenses	0.06%	0.06%
Total Annual Fund Operating Expenses	<u>2.36%</u>	<u>2.11%</u>
Fee Waiver/Expense Reimbursement (or Recoupment) <sup>(a)</sup>	<u>-0.21%</u>	<u>-0.51%</u>
Total Annual Fund Operating Expenses after Fee Waiver/ Expense Reimbursement (or Recoupment)	<u><u>2.15%</u></u>	<u><u>1.60%</u></u>

(a) Reflects a contractual agreement by Needham Investment Management LLC (the “Adviser”) to waive its fee and, if necessary, reimburse the Small Cap Growth Fund through May 1, 2018 to the extent Total Annual Fund Operating Expenses exceed 1.95% and 1.40% of the average daily net assets of Retail Class shares and Institutional Class shares respectively, of the Small Cap Growth Fund (the “Expense Cap”). This agreement can only be amended or terminated by agreement of the Company, upon approval of the Company’s Board of Directors, and the Adviser and will terminate automatically in the event of termination of the Investment Advisory Agreement between the Adviser and the Company, on behalf of the Small Cap Growth Fund. For a period of up to 36 months from the time of any waiver or reimbursement pursuant to this agreement, the Adviser may recoup from the Small Cap Growth Fund fees waived and expenses reimbursed to the extent that such recovery would not cause the total Annual Fund Operating Expenses of the Small Cap Growth Fund to exceed the lesser of the Expense Cap in effect (i) at the time of the waiver or reimbursement, or (ii) at the time of recoupment. Any such recovery will not include interest. The Expense Cap limitation on Total Annual Fund Operating Expenses 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.

### **Example**

**This example is intended to help you compare the cost of investing in the Small Cap Growth Fund with the cost of investing in other mutual funds.**

*The example assumes that you invest \$10,000 in the Small Cap Growth Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year, that all dividends and distributions have been reinvested, and that the Small Cap Growth Fund’s operating expenses remain the same giving effect to the fee waiver and expense reimbursement arrangement in year one only. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
<b>Retail Class</b>	\$218	\$716	\$1,241	\$2,680
<b>Institutional Class</b>	\$163	\$612	\$1,087	\$2,401

### ***Portfolio Turnover***

The Small Cap Growth Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Small Cap Growth Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Small Cap Growth Fund’s performance. During the most recent fiscal year, the Small Cap Growth Fund’s portfolio turnover rate was 99% of the average value of its portfolio.

### ***Principal Investment Strategies***

Under normal conditions, the Small Cap Growth Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in the equity securities (principally, common stock) of domestic issuers listed on a nationally recognized securities exchange or traded on the NASDAQ System that have market capitalizations not exceeding \$5 billion at the time of investment. The Small Cap Growth Fund may continue to hold securities of an issuer if, after the time of the Small Cap Growth Fund’s investment, the issuer’s market capitalization exceeds \$5 billion. Although there is no minimum limitation, the market capitalization range of the Small Cap Growth Fund’s investments at the time of investment will typically fall within the range of the companies listed on the Russell 2000<sup>®</sup> Index, which as of May 27, 2016 consists of securities with market capitalizations between \$133 million and \$3.86 billion.

The Small Cap Growth Fund invests, in general, in companies with strong growth potential that, for a variety of reasons, including the market’s inefficiencies, are trading at a discount to their underlying value where a catalyst is in place to eliminate that discount. The Small Cap Growth Fund may, but is not required to, invest in stocks from a variety of industries included in the technology, healthcare, energy and industrials, specialty retailing, media/leisure/cable/entertainment and business and consumer services sectors. These are some of the sectors within the economy which the investment adviser believes will have significant long-term growth rates and often include the stocks of rapidly growing companies. Although the Small Cap Growth Fund’s investments have typically been most heavily weighted in the information technology and healthcare sectors, the allocation of the Small Cap Growth Fund’s assets among the various sectors may change at any time. The Small Cap Growth Fund may engage in short sales. The Small Cap Growth Fund may make a profit or loss depending upon whether the market price of the security sold short decreases or increases between the date of the short sale and the date on which the Small Cap Growth Fund replaces the borrowed security.

### ***Principal Investment Risks***

*Stock Investing and Market Risks.* The Small Cap Growth Fund invests primarily in equity securities that fluctuate in value. Political and economic news can influence market-wide trends. Other factors may cause price swings in a single company’s stock or the stocks of the companies within a given industry.

*Small Company Investment Risks.* The Small Cap Growth Fund often invests in smaller companies that may have limited product lines, markets or financial resources. These smaller companies may trade at a lower volume than more widely held securities and may fluctuate in value more sharply than those of other securities. The Small Cap Growth Fund may engage in active and frequent trading of portfolio securities.

*Growth Investing Risks.* The Small Cap Growth Fund invests in stocks believed by the investment adviser to have the potential for growth, but that may not realize such perceived potential for extended periods of time or may never realize such perceived growth potential. Such stocks may be more volatile than other stocks because they can be more sensitive to investor perceptions of the issuing company's growth potential.

*Focus Risks.* Although the Small Cap Growth Fund is classified as “diversified” under the 1940 Act, the Small Cap Growth Fund may invest its assets in a smaller number of issuers than other, more diversified, funds. The Small Cap Growth Fund’s NAV may be more vulnerable to changes in the market value of a single issuer or group of issuers and may be relatively more susceptible to adverse effects from any single corporate, industry,



economic, market, political or regulatory occurrence than if the Small Cap Growth Fund's investments consisted of securities issued by a larger number of issuers.

*Sector Risks.* To the extent that the Small Cap Growth Fund focuses its investments in securities of issuers in a particular market sector, such as technology companies or healthcare companies, the Small Cap Growth Fund will be significantly affected by developments in that sector.

Technology companies generally operate in intensely competitive markets. This level of competition can put pressure on the prices of their products and services which could adversely affect their profitability. Also, because technology development in many areas increases at a rapid rate, these companies often produce products with very short life cycles and face the risk of product obsolescence. Other risks include worldwide competition, changes in consumer preferences, problems with product compatibility, the effects of economic slowdowns, and changes in government regulation.

The value of equity securities of healthcare companies may fluctuate because of changes in the regulatory and competitive environment in which they operate. Many healthcare companies offer products and services that are subject to governmental regulation and may be adversely affected by changes in governmental policies or laws. Failure to obtain regulatory approvals or changes in governmental policies regarding funding or subsidies may also adversely affect the value of the equity securities of healthcare companies. Healthcare companies may also be strongly affected by scientific or technological developments and their products may quickly become obsolete. Furthermore, these companies may be adversely affected by product liability-related lawsuits. The securities of companies in these sectors may experience more price volatility than securities of companies in other sectors.

*Short Sales Risks.* Short sales present the risk that the price of the security sold short will increase in value between the time of the short sale and the time the Small Cap Growth Fund must purchase the security to return it to the lender. The Small Cap Growth Fund may not be able to close a short position at a favorable price or time and the loss of value on a short sale is potentially unlimited.

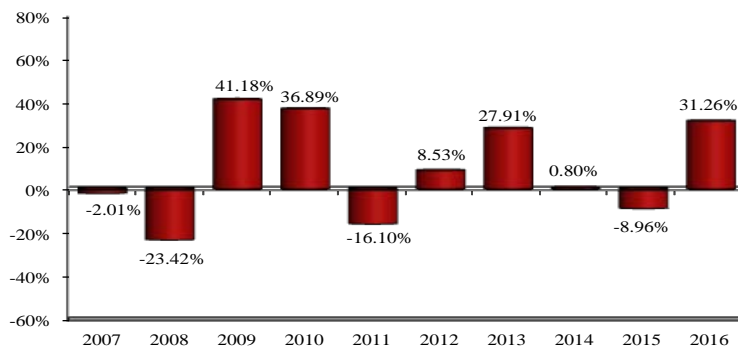
Loss of money is a risk of investing in the Small Cap Growth Fund.

### ***Bar Chart and Performance Table***

The information in the bar chart and table that follow provides some indication of the risks of investing in the Small Cap Growth Fund by showing changes in the performance of the Small Cap Growth Fund's Retail Class shares from year to year and by showing how the Small Cap Growth Fund's average annual returns for 1, 5 and 10 years and for the life of the Small Cap Growth Fund compare to those of broad measures of market performance.

The Small Cap Growth Fund's past performance (before and after taxes) is not necessarily an indication of how the Small Cap Growth Fund will perform in the future. Updated performance information is available on the Small Cap Growth Fund's website at [www.needhamfunds.com](http://www.needhamfunds.com).

### **Calendar Year Total Returns as of December 31 – Retail Class**



During the ten-year period shown in the above chart, the highest quarterly return was 21.00% (for the quarter ended 6/30/2009) and the lowest quarterly return was -23.72% (for the quarter ended 9/30/2011).

### ***Average annual total returns for the periods ended December 31, 2016***

The following table shows the average annual returns of the Small Cap Growth Fund's shares and the change in value of certain broad-based market indices over various periods ended December 31, 2016. The index information is intended to permit you to compare the Small Cap Growth Fund's performance to several broad measures of market performance.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not include the impact of state and local taxes.

Your actual after-tax returns depend on your tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their shares in a tax-deferred account (including a 401(k) or IRA), or to investors who are tax-exempt. After-tax returns are shown only for Retail Class shares. After-tax returns for Institutional Class shares will vary.

### ***Average annual total returns for the periods ended December 31, 2016***

<b>Needham Small Cap Growth Fund</b>	<b>1 Year</b>	<b>5 Years</b>	<b>10 Years</b>	<b>Life of Fund (Since 5/22/02)</b>
<b>Retail Class</b>				
Return Before Taxes	31.26%	10.83%	7.36%	10.29%
Return After Taxes on Distributions	28.70%	9.67%	6.15%	9.07%
Return After Taxes on Distributions and Redemption	18.75%	8.39%	5.78%	8.59%
<b>Institutional Class</b>				
Return Before Taxes <sup>^</sup>	31.95%	11.42%	7.94%	10.89%
<b>Russell 2000<sup>®</sup> Index*</b>	21.31%	14.46%	7.07%	8.61%
<b>S&amp;P 500<sup>®</sup> Index*</b>	11.96%	14.66%	6.95%	7.24%
<b>NASDAQ Composite Index*</b>	8.94%	17.19%	9.60%	9.54%

<sup>^</sup>The inception date for the Small Cap Growth Fund's Institutional Class shares is December 30, 2016. Average annual total return information for the periods prior to the inception date reflects the actual performance of the Small Cap Growth Fund's Retail Class shares (and uses the actual expenses of the Small Cap Growth Fund's Retail Class, for such periods of time), without any adjustments.

\*Comparative indices reflect no deductions for fees, expenses, or taxes.

### ***Investment Adviser***

Needham Investment Management LLC is the investment adviser of the Small Cap Growth Fund.

### ***Portfolio Manager***

The portfolio manager of the Small Cap Growth Fund is Chris Retzler. Mr. Retzler is Executive Vice President and has been Portfolio Manager of the Small Cap Growth Fund since 2008.

### ***Purchase, Exchange, and Redemption of Fund Shares***

You may purchase, exchange, or redeem shares of the Small Cap Growth Fund at any time by sending a written request to The Needham Funds, c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701, by calling 1-800-625-7071, or by wire transfer.

The minimum initial and subsequent investment amounts are shown below.

<b>Type of Account</b>	<b>To Open Your Account</b>	<b>To Add to Your Account</b>
<i>Retail Class</i>		
Individuals, Corporations, Partnerships, Trusts	\$2,000	\$100
IRAs	\$1,000	None
<i>Institutional Class</i>		
All Accounts	\$100,000	None

### ***Tax Information***

The Small Cap Growth Fund intends to make distributions each year. The Small Cap Growth Fund's distributions are taxable, and will be taxed as ordinary income or capital gains, unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an IRA. Such tax-deferred arrangements may be taxed later upon withdrawal of monies from those arrangements.

### ***Payments to Broker-Dealers and Other Financial Intermediaries***

If you purchase the Small Cap Growth Fund through a broker-dealer or other financial intermediary (such as a bank), the Small Cap Growth Fund and its related companies may pay the intermediary for the sale of Small Cap Growth Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Small Cap Growth Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

## Investment Objectives, Strategies, Policies and Risks

### *Growth Fund - Principal Investment Objective and Strategies*

The **Growth Fund** seeks long-term, tax-efficient capital appreciation by primarily investing in the equity securities of public companies with above-average prospective long-term growth rates at value prices. These above-average growth rates are exhibited by companies at the vortex of rapid and fundamental changes in the world economy resulting from technological or demographic change. In this manner, the Growth Fund seeks to build wealth for long-term investors. The Growth Fund strives for maximum tax efficiency by balancing gains and losses. The central premise of the Growth Fund's investment style is growth, but more specifically, "Growth At a Reasonable Price" or "GARP." This style has become more popular as the markets have exhibited unprecedented levels of volatility and as investors have come to understand some of the dangers and disadvantages of momentum investing.

The **Growth Fund** generally seeks to invest in companies which exhibit the following characteristics:

- **Long-Term Value.** In the short term, equity markets often incorrectly value stocks. Good companies are often undervalued based on short-term factors such as a disappointing quarter that is not representative of the strength of the business, undue general or industry-specific pessimism, institutions wishing to exit a large position in the stock or a lack of knowledge and support for the stock. The Growth Fund believes that these undervalued situations represent buying opportunities and that real underlying value does eventually assert itself.
- **Strong Growth Potential.** The Growth Fund invests in companies that are likely to be beneficiaries of long-lasting economic trends resulting from fundamental technological change. The Growth Fund also considers management's ownership of the company's stock and what appropriate stock option plans are in place to incentivize all levels of management at the company.

- **Strong, Incentivized Management Team.**

The Growth Fund focuses on the quality of a company's management team because it believes that management is the most critical element in determining the success of a business.

- **High Operating Margins.** The Growth Fund concentrates on industries or companies with the potential to deliver strong profits, not just high revenue growth. The Growth Fund focuses on companies with the potential for high profit margins and strong cash generation. Often, high margins are a sign that a company's products and services have a high perceived value to its customers. High operating margins are also often indicative of companies with strong execution capabilities and provide companies with the financial flexibility to invest for future growth.

Under normal conditions, the Growth Fund invests at least 65% of its total assets in the equity securities of domestic issuers listed on a nationally recognized securities exchange or traded on the NASDAQ System. The Growth Fund may, but is not required to, invest in the securities of companies of any market capitalization. The Growth Fund may, but is not required to, invest in stocks from a variety of industries included in the technology, healthcare, energy and industrials, specialty retailing, media/leisure/cable/entertainment and business and consumer services sectors, which are some of the sectors within the economy that the investment adviser believes will have significant long-term growth rates based on its market research and company analysis and which often include the stocks of rapidly growing companies with a variety of market capitalizations. When investing in technology, the investment adviser focuses on product cycles and unit growth. When investing in healthcare, the investment adviser focuses heavily on demographic, regulatory and lifestyle trends. The investment adviser considers overall growth prospects, financial conditions, competitive positions, technology, research and development, productivity, labor costs, raw materials costs and sources, competitive operating margins, return on investment, managements and various other factors.

## ***Aggressive Growth Fund - Principal Investment Objective and Strategies***

The **Aggressive Growth Fund** seeks long-term, tax-efficient capital appreciation by primarily investing in the equity securities of public companies with above-average prospective long-term growth rates. While focusing on capital appreciation, the Aggressive Growth Fund also seeks tax efficiency and lowered risk exposure through the use of hedging instruments and techniques such as short sales and options. Typically, these above-average growth rates are exhibited by companies addressing the challenges of rapid and fundamental changes in the world economy resulting from demographic, political and technological change. In this manner, the Aggressive Growth Fund seeks to build wealth for long-term investors. The Aggressive Growth Fund strives to balance tax efficiency with the inherent volatility in rapid growth markets and industries. The central premise of the Aggressive Growth Fund's investment style is growth, but more specifically to move early into emerging areas of rapid growth, to stay with the leaders in established growth markets and to exit or sell short areas and/or companies that the Aggressive Growth Fund believes can no longer sustain strong, above-average growth and profitability.

The **Aggressive Growth Fund** generally seeks to invest in companies which exhibit the following characteristics:

- **Strong Growth Potential.** The Aggressive Growth Fund seeks markets and industries with strong growth potential. Finding the areas with the greatest unmet needs leads one to the companies attempting to satisfy those needs, and often delivers strong growth opportunities. The Aggressive Growth Fund concentrates on market and industry niche opportunities with large, multi-year growth prospects.
- **Market Leaders.** The Aggressive Growth Fund focuses on the leaders in these growth markets which often garner a disproportionate share of the positive financial returns. The Aggressive Growth Fund seeks to identify these leaders as they are emerging or re-emerging and before they are widely recognized. At times, this may require investing in private companies in various stages of development, subject to the investment restrictions set forth in this Prospectus and in the Statement of Additional Information. In selecting private companies for initial or continued inclusion in the Aggressive Growth Fund, the Fund employs the same investment strategies and standards used when selecting a publicly-held company.
- **High Operating Margins.** The Aggressive Growth Fund concentrates on industries or companies with the potential to deliver strong profits, not just high revenue growth. The Aggressive Growth Fund focuses on companies with the potential for high profit margins and strong cash generation. Often, high margins are a sign that a company's products and services have a high perceived value to its customers. High operating margins are also often indicative of companies with strong execution capabilities and provide companies with the financial flexibility to invest for future growth.
- **Long-Term, Sustainable Growth.** The Aggressive Growth Fund will focus on the sustainability of strong growth, not just the absolute rate of change. The Aggressive Growth Fund considers the best growth stocks to be those that can sustain strong growth over long periods of time. Many companies can grow rapidly over short periods of time; far fewer have the resources, positioning and execution abilities to deliver superior growth records over time.
- **Companies Addressing Unmet Needs.** The Aggressive Growth Fund will invest in a company in any industry or geographic market where it believes that the company's new or differentiated product or service is addressing a substantially unmet need. Most high growth companies are in high growth markets, but others arise in mature sectors of the economy where new products and services, particularly those that are technologically driven, present new growth opportunities. The Aggressive Growth Fund seeks to diversify among industries to moderate risk but will not do so at the expense of limiting growth opportunities.
- **Strong Management Strategy and Performance.** Quality of management and balance sheets will play key roles in the Aggressive Growth Fund's investment decision process. A key part of sustainability is having the managerial and financial resources to fund strong growth. Balance sheet trends are also an important indicator as to the health of a business. Beyond a management's historical performance record, the Aggressive Growth Fund focuses on the overall strategic vision and tactical decisions in assessing a company's growth potential.

Under normal conditions, the Aggressive Growth Fund invests at least 65% of its total assets in the equity securities of domestic issuers listed on a nationally recognized securities exchange or traded on the NASDAQ System. The Aggressive Growth Fund invests, in general,

in markets and industries with strong growth potential, focusing primarily on the market leaders in these areas as these companies often garner a disproportionate share of the positive returns. Although the Aggressive Growth Fund may invest in companies of any size, the Aggressive Growth Fund's investment strategy may result in a focus on smaller companies. The Aggressive Growth Fund may, but is not required to, invest in stocks from a variety of industries included in the technology, healthcare, energy and industrials, specialty retailing, media/leisure/cable/ entertainment and business and consumer services sectors which are some of the sectors within the economy that the investment adviser believes will have significant long-term growth rates based on its market research and company analysis. When investing in technology, the investment adviser focuses on product cycles and unit growth. When investing in healthcare, the investment adviser focuses heavily on demographic, regulatory and lifestyle trends. The investment adviser will consider overall growth prospects, financial conditions, competitive positions, technology, research and development, productivity, labor costs, raw materials costs and sources, competitive operating margins, return on investment, managements and various other factors.

***Small Cap Growth Fund - Principal Investment Objective and Strategies***

The **Small Cap Growth Fund** seeks long-term, tax-efficient capital appreciation by primarily investing in the equity securities of smaller growth companies which the Fund believes are trading at a discount to their underlying value yet have the potential for significant long-term growth. Typically, these above-average growth rates are exhibited by companies addressing the challenges of rapid and fundamental changes in the world economy resulting from demographic, political and technological change. In this manner, the Small Cap Growth Fund seeks to build wealth for long-term investors. The Small Cap Growth Fund strives to balance tax efficiency with the inherent volatility in rapid growth markets and industries. The central premise of the Small Cap Growth Fund's investment style is growth, more specifically, growth stocks trading at a discount to their underlying value where a catalyst is in place to eliminate the discount through acceleration of revenues and earnings over a period of twelve months or more.

The **Small Cap Growth Fund** generally seeks to invest in companies which exhibit the following characteristics:

- **Strong, Incentivized Management Team.** The Small Cap Growth Fund focuses, above all, on the

quality and capability of a company's management team because it believes that management is the most critical element in determining the success of a business. The Small Cap Growth Fund also focuses on management's ownership of the company's stock and what appropriate stock option plans are in place to incentivize all levels of management at the company.

- **No Financial Leverage.** The Small Cap Growth Fund strongly prefers companies that take risks in their business and not on their balance sheet. The Small Cap Growth Fund prefers to invest in small cap companies that are debt free. The Small Cap Growth Fund believes that financing availability for small cap companies is so limited that to add leverage to the balance sheet is both unwise and unacceptable.
- **Coherent, Well-Thought-Out Strategy.** The Small Cap Growth Fund seeks companies that have well-defined plans to penetrate their markets and to grow their businesses. The company's management must be able to articulate that strategy to its shareholders and the investment community.
- **Strong, Long-Term Growth Potential.** The Small Cap Growth Fund seeks markets and industries with strong growth potential. Finding the areas with the greatest unmet needs leads one to the companies attempting to satisfy those needs, and often delivers strong growth opportunities. The Small Cap Growth Fund concentrates on market and industry niche opportunities with large, multi-year growth prospects.
- **Market Leaders.** The Small Cap Growth Fund focuses on the leaders in these growth markets which often garner a disproportionate share of the positive financial returns. The Small Cap Growth Fund seeks to identify these leaders as they are emerging or re-emerging and before they are widely recognized. At times, this may require investing in private companies in various stages of development, subject to the investment restrictions set forth in this Prospectus and in the Statement of Additional Information. In selecting private companies for initial or continued inclusion in the Small Cap Growth Fund, the Fund employs the same investment strategies and standards used when selecting a publicly-held company.
- **High Operating Margins.** The Small Cap Growth Fund concentrates on industries or companies with the potential to deliver strong profits, not just high revenue growth. The

Small Cap Growth Fund focuses on companies with the potential for high profit margins and strong cash generation. Often, high margins are a sign that a company's products and services have a high perceived value to its customers. High operating margins are also often indicative of companies with strong execution capabilities and provide companies with the financial flexibility to invest for future growth.

- **Companies Addressing Unmet Needs.** The Small Cap Growth Fund invests in companies that are developing new or differentiated products or services to address a substantially unmet need. Some high growth companies arise in mature sectors of the economy where new products and services, particularly those that are technologically driven, present new growth opportunities. The Small Cap Growth Fund seeks to diversify among industries to moderate risk but will not do so at the expense of limiting growth opportunities.

Under normal conditions, the Small Cap Growth Fund invests at least 80% of its net assets in the equity securities of domestic issuers listed on a nationally recognized securities exchange or traded on the NASDAQ System that have market capitalizations not exceeding \$5 billion at the time of investment. The Small Cap Growth Fund invests, in general, in companies with strong growth potential that, for a variety of reasons, including the market's inefficiencies, are trading at a discount to their underlying value where a catalyst is in place to eliminate that discount. The Small Cap Growth Fund may, but is not required to, invest in stocks from a variety of industries included in the technology, healthcare, energy and industrials, specialty retailing, media/leisure/cable/entertainment and business and consumer services sectors, which are some of the sectors within the economy that the investment adviser believes will have significant long-term growth rates based on its market research and company analysis. When investing in technology, the investment adviser focuses on product cycles and unit growth. When investing in healthcare, the investment adviser focuses heavily on demographic, regulatory and lifestyle trends. The investment adviser considers overall growth prospects, financial conditions, competitive positions, technology, research and development, productivity, labor costs, raw materials costs and sources, competitive operating margins, return on investment, managements and various other factors.

In the short term, equity markets often incorrectly value stocks. Good companies are often undervalued based on short-term factors such as a disappointing quarter for the company not representative of the strength of the business, undue general or industry-specific pessimism, institutions wishing to exit a large position in the stock or a lack of knowledge and support of the stock. The Small Cap

Growth Fund believes that these undervalued situations represent buying opportunities. Lower quality companies are often overvalued based on short-term factors such as inordinate optimism about a new industry or technology, aggressive forecasts, investment banks promoting their clients, an earnings spike, momentum investors driving up prices or accounting gimmicks. These overvalued situations represent opportunities for short selling as, in the long term, real underlying value will eventually assert itself.

#### *Principal Investment Strategies – All Funds*

The following principal investment strategies are common to each of the Needham Funds (each a "Fund" and collectively, the "Funds"):

- **Fundamental Company and Market Analysis.** The Funds rely foremost on fundamental company and market analysis and secondarily on macroeconomic analysis, including trends in gross domestic product ("GDP"), interest rates and inflation, to arrive at investment decisions. The Funds put a premium on in-depth company and industry analysis. The Fund managers intend to visit with company managements frequently, attend trade shows and other industry conferences and develop other sources of independent insight. The Funds track key economic and political events as they affect the relative attractiveness and growth prospects of the portfolio companies. However, given the uneven history of economic forecasting and the fact that many of the best growth companies can continue to grow even in a challenging economic environment, the Funds will rely foremost on finding the best positioned companies and not on market-timing.
- **Disciplined Approach to Valuation.** The Funds seek to enhance shareholder returns with a disciplined approach to valuations, both relative and absolute. Since the markets' valuations fluctuate due to many factors, including economic and political uncertainties, inflation perceptions and competition from other asset classes, the Funds look to value stocks both relative to the market and relative to other growth companies, seeking to pay the least for the most amount of sustainable growth. While growth stocks have generally carried high relative valuations to the market, even the best growth companies can become overvalued. The Funds will seek to find growth stocks typically trading at a discount, not a premium, to the market. However, the Funds intend to sell any holding if the absolute

level of valuation, in their opinion, outstrips the growth potential of that company.

- **Issuer and Market Sector Focus.** Although the Funds are classified as “diversified” under the 1940 Act, the Funds may invest their assets in a smaller number of issuers than other, more diversified, funds. To the extent the Funds invest a significant portion of their assets in a few issuers’ securities, the performance of the Funds could be significantly affected by the performance of those issuers. As a fundamental policy, each Fund will not invest more than 25% of its net assets in issuers conducting their principal business in the same industry. See Statement of Additional Information — “Investment Restrictions.” However, each Fund at times may invest more than 25% of its total assets in securities of issuers in one or more market sectors, including the technology and healthcare sectors. A market sector may be made up of companies in a number of related industries.
- **Short Selling.** The Funds may engage in short sales. In a short sale of a security, a Fund sells stock which it does not own, making delivery with securities borrowed from a broker. The Fund is then obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. The Funds may make a profit or loss depending upon whether the market price of the security decreases or increases between the date of the short sale and the date on which the Funds replace the borrowed security.

Until the security is replaced, the Fund is required to pay the lender any dividends or interest which accrue during the period of the loan. In order to borrow the security, a Fund may also have to pay a premium and/or interest which would increase the cost of the security sold. The proceeds of the short sale will be retained by the broker, to the extent necessary to meet margin requirements, until the short position is closed. In addition, the broker may require the deposit of collateral. While the short position is open, the Fund must maintain on a daily basis segregated liquid assets so that the amount segregated plus the amount of collateral held for the benefit of the broker exceeds the current market value of the securities sold short. The amount of such excess is determined by the broker in accordance with Federal Reserve Board Regulation T, New York Stock Exchange rules, and the broker’s house requirements. The Fund may meet such excess by depositing cash or marketable securities with the lending broker.

A Fund will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. A Fund will realize a gain if the security declines in price between those two dates. The amount of any gain will be decreased

and the amount of any loss will be increased by any premium or interest the Fund may be required to pay in connection with the short sale. When a cash dividend is declared on a security in which the Fund has a short position, the Fund incurs the obligation to pay an amount equal to that dividend to the lender of the shorted security. However, any such dividend on a security sold short generally reduces the market value of the shorted security, thus increasing a Fund’s unrealized gain or reducing a Fund’s unrealized loss on its short-sale transaction. Whether a Fund will be successful in utilizing a short sale will depend, in part, on the investment adviser’s ability to correctly predict whether the price of a security it borrows to sell short will decrease.

The Funds may short highly valued companies in high growth sectors with challenged cost structures and balance sheets, eroding competitive positions and rapidly decelerating end demand. High growth markets invite numerous competitors, many of which do not survive. In the early stages of new markets, it is not always clear who the real winners will be. As the better companies emerge, the Funds look to short the weaker competitors when the Funds believe their valuations do not yet reflect their weaker status.

All short sales must be fully collateralized and none of the Funds will sell short securities the underlying value of which exceeds 25% of the value of the net assets of the Fund. The Funds will also limit short sales in any one issuer’s securities to 2% of the respective Fund’s net assets and will not sell short more than 2% of any one class of the issuer’s securities.

- **Exchange-Traded Funds.** The Funds may invest in exchange-traded funds (“ETFs”), including short sales of ETFs. For the Small Cap Growth Fund, investments in ETFs may be considered, for purposes of compliance with the Fund’s policy with respect to the investment of 80% of its net assets, equity securities of domestic issuers listed on a nationally recognized securities exchange or traded on the NASDAQ System that have market capitalizations not exceeding \$5 billion at the time of investment if the ETFs have economic characteristics similar to such equity securities.



### ***Non-Principal Investment Strategies – All Funds***

As a non-principal technique, each of the Needham Funds may participate in initial public offerings (“IPOs”).

In summary, the keys to successful investing by the Funds include an understanding of macroeconomic and political trends, an evaluation of the high growth sectors of the economy, identifying a sector’s leaders and laggards, frequent visits with company management and analyses of companies’ business fundamentals, quality of management and competitive position. After finding an attractive growth candidate for the Funds, the specific company’s valuation is evaluated relative to its prospects and competing candidates, both current holdings and other potential investments, to determine if enough price appreciation potential is available to warrant inclusion in the Funds.

The Funds will seek to reduce their risks with in-depth fundamental analysis, a focused assessment of risk versus return, a view for the catalyst in the individual stock and reliable monitoring of positions to be responsive to changes in industry and market fundamentals. The Funds will also attempt to reduce their risk by taking short positions in companies where they believe market fundamentals have been exceeded, as well as by the use of options to hedge positions.

Furthermore, each Fund may temporarily invest up to 100% of its assets in cash or cash equivalents, investment grade debt securities or repurchase agreements for defensive purposes. Consistent with the Funds’ investment objectives and policies, the Adviser may make changes to the Funds whenever it considers market, economic or political conditions to be unfavorable for profitable investing or it believes that doing so is in the best interest of the Funds. To the extent a Fund takes a defensive position, it may not achieve its investment objective.

The Funds will engage in an ongoing analysis of the existing Fund investments to ensure that the growth, profitability and valuation of the investments warrant their remaining in the Funds’ respective portfolios. Positions will be sold when they no longer meet the respective long-term investment objectives of the Funds. The Funds have adopted certain investment restrictions which are fundamental and may not be changed without a shareholder vote. Except as specifically noted, the Funds’ investment objectives and policies described in the preceding pages are not fundamental policies and may be changed or modified by the Board of Directors of The Needham Funds, Inc. (the “Board of Directors”) without shareholder approval. However, neither the Growth Fund nor the Aggressive Growth Fund will change its investment objective without first providing written notice to its shareholders at least 30 days in advance. The Small Cap Growth Fund will not change its investment

objective or 80% investment strategy without first providing written notice to its shareholders at least 60 days in advance. A complete list of the Funds’ investment restrictions, both fundamental and non-fundamental, and certain other policies not described in the Prospectus may be found in the Statement of Additional Information.

### ***Principal Risk Factors***

The following principal risk factors are common to each of the Funds, unless otherwise indicated.

*Stock Investing and Market Risks.* The Funds invest primarily in equity securities, which fluctuate in value. Therefore, shares of the Funds will also fluctuate in value. Loss of money is a risk of investing in the Funds. The strategies used by the Funds’ portfolio managers may fail to produce the intended result, and stock selection may underperform the stock market, the Funds’ benchmarks or other funds with similar objectives. There is no guarantee that the Funds will achieve their investment goals of long-term, tax-efficient capital appreciation.

*Focus Risks.* Although the Funds are classified as “diversified” under the 1940 Act, the Funds may invest their assets in a smaller number of issuers than other, more diversified, funds. A Fund’s NAV may be more vulnerable to changes in the market value of a single issuer or group of issuers and may be relatively more susceptible to adverse effects from any single corporate, industry, economic, market, political or regulatory occurrence than if the Fund’s investments consisted of securities issued by a larger number of issuers. While political and economic news can influence market-wide trends, other factors may be ignored by the market as a whole but may cause price swings in a single company’s stock or the stocks of the companies within a given industry.

*Growth Investing Risks.* The Funds invest in stocks believed by the investment adviser to have the potential for growth, but that may not realize such perceived potential for extended periods of time or may never realize such perceived growth potential. Such stocks may be more volatile than other stocks because they can be more sensitive to investor perceptions of the issuing company’s growth potential.

*Market Capitalization Risks (Growth Fund and Aggressive Growth Fund only).* To the extent a Fund emphasizes stocks of small, mid or large cap companies, it will assume the associated

risks. At any given time, any of these market capitalizations may be out of favor with investors. Compared to small and mid cap companies, larger companies may be less responsive to changes and opportunities affecting their business. To the extent a Fund invests in small and mid cap companies, it will be subject to additional risks because the operating histories of these companies tend to be more limited, their earnings and revenues less predictable (and some companies may be experiencing significant losses), and their share prices more volatile than those of larger companies. The shares of smaller companies tend to trade less frequently than those of larger companies, which can adversely affect the pricing of these securities and a Fund's ability to sell these securities.

*Sector Risks.* Business and economic developments affecting an industry in which the Funds invest a significant portion of their assets would likely have a greater effect on the Funds than those same developments would have on a fund invested in a wider spectrum of market or industry sectors.

A Fund may, but is not required to, focus its investments in companies in the technology sector. These companies generally operate in intensely competitive markets. This level of competition can put pressure on the prices of their products and services which could adversely affect their profitability. Also, because technological development in many areas increases at a rapid rate, these companies often produce products with very short life cycles and face the risk of product obsolescence. Other risks include worldwide competition, changes in consumer preferences, problems with product compatibility, the effects of economic slowdowns, and changes in government regulation. The securities of companies in the technology sector may experience more price volatility than securities of companies in other sectors.

A Fund may, but is not required to, focus its investments in companies in the healthcare sector. The value of equity securities of these companies may fluctuate because of changes in the regulatory and competitive environment in which they operate. Many healthcare companies offer products and services that are subject to governmental regulation and may be adversely affected by changes in governmental policies or laws. Failure to obtain regulatory approvals or changes in governmental policies regarding funding or subsidies may also adversely affect the value of the equity securities of healthcare companies. Healthcare companies may also be strongly affected by scientific or technological developments and their products may quickly become obsolete. Furthermore, these companies may be adversely affected by product liability-related lawsuits. The securities of companies in the healthcare sector may experience more price volatility than securities of companies in other sectors.

Additionally, a Fund may, but is not required to, invest in business and consumer services companies. These companies may be affected by the performance of the economy as a whole and may also be affected by increases in interest rates and decreases in disposable income and consumer confidence.

*Small Company Investment Risks.* Investments in smaller companies may offer greater opportunities for capital appreciation than larger companies, but may also involve certain special risks. These companies may have limited product lines, markets, or financial resources and may be dependent on a limited management group. These securities may also trade less frequently and at a lower volume than more widely held securities, and may fluctuate in value more sharply than those of other securities. There may be less available information about these issuers or less market interest than is normally the case with respect to larger companies. Furthermore, investments based on the anticipated long-term growth of a company may decline in value if the catalyst for such growth does not occur.

*Short Sales Risks.* Short sales present the risk that the price of the security sold short will increase in value between the time of the short sale and the time the Fund must purchase the security to return it to the lender. The Fund may not be able to close a short position at a favorable price or time and the loss of value on a short sale is potentially unlimited. A Fund must borrow securities to enter into a short sale. If the lender demands the return of the securities, the Fund must deliver them promptly, either by borrowing from another lender or buying the securities. If this occurs at the same time other short-sellers are trying to borrow or buy the securities, the stock price could rise, making it more likely that the Funds will have to cover their short positions at an unfavorable price. This could happen regardless of whether or not the prospects for an issuer are favorable or unfavorable.

In addition to the principal risks discussed above, an investment in the Funds may be subject to additional risks which include those risks discussed below.

#### ***Non-Principal Risk Factors – All Funds***

*Exchange-Traded Fund Risks.* The risks of investing in ETFs typically reflect the risks associated with the types of instruments in which the ETFs invest. When a Fund invests in an ETF, shareholders of the Fund will bear indirectly their proportionate share of the expenses of the

ETF (including management fees) in addition to the expenses of the Fund. ETFs are exchange-traded investment companies that are, in many cases, designed to provide investment results corresponding to an index. The value of the underlying securities can fluctuate in response to activities of individual companies or in response to general market and/or economic conditions. Additional risks of investments in ETFs include: (i) the market price of an ETF's shares may trade at a discount to its net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained; or (iii) trading may be halted if the listing exchanges' officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts trading generally. A Fund will incur brokerage costs when purchasing and selling shares of ETFs.

*IPO Risks.* The Funds may purchase securities of a company that are offered pursuant to an IPO. The market value of IPO shares may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information available about the issuer.

*Private Company Risks.* Subject to the Funds' investment policies and restrictions on investments in illiquid securities, the Funds may invest in privately-held companies. Investments in companies in the early stages of development, particularly those companies which have yet to offer securities to the public, may offer greater opportunities for capital appreciation than longer-established or publicly-held companies. However, investments in these companies are often riskier than investments in longer-established or publicly-held companies. Typically, there is very little public information available on these companies, their management philosophies and strategies may be untested, their product lines, markets and financial resources may be limited and the restrictions on resale of securities of such companies imposed by U.S. securities laws and by market forces in general may make it difficult for the Funds to liquidate any position it may have in such a company. Even if the Funds are able to liquidate a position in such a company, they may be forced to do so at prices which are not beneficial to the Funds.

In addition, the Funds may invest in the securities of non-U.S. issuers, which have risks that are different from the risks associated with investments in the securities of U.S. issuers.

## ***Who Should Invest in the Funds***

The Funds are not intended to provide a balanced investment program. The Funds are most suitable for an investor who is willing to accept a higher degree of risk than is present in many fixed-income or certain other equity mutual funds.

## ***Portfolio Holdings***

The Funds generally make their complete portfolio holdings available on their website, after a 10-day lag following the end of the most recent calendar quarter, at [www.needhamfunds.com](http://www.needhamfunds.com) under Holdings. The ten largest equity holdings of each Fund also include the percentage of that Fund's total investments that each holding represents.

A description of the Funds' policies and procedures with respect to the disclosure of the Funds' portfolio securities is available in the Funds' Statement of Additional Information and on the Funds' website at [www.needhamfunds.com](http://www.needhamfunds.com). Currently, disclosure of the Funds' holdings is required to be made quarterly within 60 days of the end of each fiscal quarter, in the Funds' Annual Report and Semi-Annual Report to shareholders and in the quarterly holdings report on Form N-Q. The Annual and Semi-Annual Reports are available by contacting the Funds' administrator, U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701, by telephone at 1-800-625-7071, and on the Funds' website at [www.needhamfunds.com](http://www.needhamfunds.com).

## **Investment Adviser**

Needham Investment Management LLC (the "Adviser"), 445 Park Avenue, New York, NY, 10022, was formed in 1995 and is registered as an investment adviser with the Securities and Exchange Commission. The Adviser is an affiliate of Needham & Company, LLC. Needham & Company, LLC is the Funds' distributor and is an investment banking firm specializing in growth companies and their investors.

The Adviser directs investments of the Funds pursuant to a Restated Investment Advisory Agreement dated October 21, 2004 between the Funds and the Adviser (the "Advisory Agreement"). Each Fund pays the Adviser a fee at the annual rate of 1.25% of the respective average daily net assets of the Fund. This fee is slightly higher than that paid by most mutual funds. The Adviser or persons employed

by or associated with the Adviser are, subject to the authority of the Board of Directors, responsible for the overall management of the Funds' affairs.

The Adviser has contractually agreed to waive its management fee for, and to reimburse expenses of, the Retail Class and Institutional Class shares of each Fund in an amount that limits annual operating expenses (excluding taxes, interest, brokerage, dividends on short positions, fees and expenses of "acquired funds" (as defined in Form N-1A) and extraordinary items and excluding shareholder redemption fees but including the management fee stated in the Advisory Agreement) to not more than 1.95% and 1.40% of the average daily net assets of the Retail Class and Institutional Class shares, respectively, of the relevant Fund for the 12-month period ended May 1, 2018. For a period of up to 36 months from the time of any waiver or reimbursement pursuant to this agreement, the Adviser may recover from a Fund fees waived and expenses reimbursed to the extent that such recovery would not cause the Total Annual Fund Operating Expenses (as used in Form N-1A) of the Fund to exceed 1.95% or 1.40% of the average daily net assets of the Retail Class or Institutional Class, respectively, of the Fund, but any such recovery will not include interest.

For the fiscal year ended December 31, 2016, after applicable waivers and/or reimbursements (or recoupment), the management fees paid by the Growth Fund and the Aggressive Growth Fund amounted to 1.25% of the average daily net assets of the Retail Class shares of each respective Fund and 1.04% of the average daily net assets of the Retail Class shares of the Small Cap Growth Fund. Institutional Class shares of each Fund were not offered prior to December 29, 2016.

A discussion regarding the basis for the Board of Directors' approval of the Advisory Agreement is available in the Funds' Annual Report to shareholders for the period ended December 31, 2016.

### ***Portfolio Managers***

Mr. John O. Barr is a graduate of Harvard Business School and Colgate University. From 1995 - 2000, Mr. Barr was a Managing Director and Senior Analyst at Needham & Company. He was an Institutional Investor All-Star and was ranked by Reuters as leader of one of the top software teams. He also served as Director of Research. From 2000 - 2002, he was a Managing Director and Senior Analyst at Robertson Stephens following semiconductor technology companies. From 2002 - 2008, Mr. Barr was a portfolio manager and analyst at Buckingham Capital Management's diversified industry long/short domestic equity hedge fund. He focused on telecom, semiconductors and software. He also has experience

with financials, energy, exploration and production and mining stocks. From 2008 - 2009, Mr. Barr was the Founding and Managing Member of Oliver Investment Management, LLC, a long-short hedge fund focused on small cap technology and exploration and mining stocks. He rejoined Needham & Company in August 2009 as a Managing Director and a portfolio manager of hedge funds. He serves as Executive Vice President and Co-Portfolio Manager of the Growth Fund and as Executive Vice President and the Portfolio Manager of the Aggressive Growth Fund. He engages in a variety of portfolio management-related activities, including stock selection, research, company visits and market analysis.

Mr. Chris Retzler is the Co-Portfolio Manager of the Growth Fund and the Portfolio Manager of the Small Cap Growth Fund. Mr. Retzler has been with Needham Asset Management, LLC since 2005. Mr. Retzler is a graduate of the Columbia Business School and was a Fulbright Scholar. He began his career in 1994 with Merrill Lynch Investment Banking. When he left Merrill Lynch in 2002, Mr. Retzler was an associate in Mergers and Acquisitions where he participated in numerous stock and asset transactions across a wide range of domestic and global industries. From 2002 until he joined Needham, he was in charge of Winterkorn, a privately owned company. Prior to becoming Co-Portfolio Manager of the Growth Fund and the Portfolio Manager of the Small Cap Growth Fund, Mr. Retzler was Managing Director of Needham Asset Management, LLC. Mr. Retzler's responsibilities at Needham included examining and conducting due diligence on both existing and new investment opportunities for the Needham Funds. He also serves as Executive Vice President of the Growth Fund and the Small Cap Growth Fund. Mr. Retzler became Co-Portfolio Manager of the Growth Fund in January 2009 and Portfolio Manager of the Small Cap Growth Fund in January 2008. He engages in a variety of portfolio management-related activities, including stock selection, research, company visits and market analysis.

The Statement of Additional Information provides additional information about the Portfolio Managers' compensation, other accounts managed by the Portfolio Managers, and the Portfolio Managers' ownership of securities in each Fund.

## ***Board of Directors***

George A. Needham — Mr. Needham founded Needham & Company, Inc. (predecessor to The Needham Group, Inc.) in 1985. Mr. Needham is the Chairman of the Board and Chief Executive Officer of The Needham Group, Inc., Chairman of the Board and Chief Executive Officer of Needham Holdings, LLC and President and Chief Executive Officer of Needham Asset Management, LLC. Mr. Needham received a B.S. degree from Bucknell University and an M.B.A. from the Stanford University Graduate School of Business. Mr. Needham is also a principal of the respective general partners of several private investment limited partnerships.

John W. Larson — Mr. Larson is currently retired. Mr. Larson was a partner at the law firm of Morgan, Lewis & Bockius LLP from 2003 until retiring in December 2009. Mr. Larson served as partner at the law firm of Brobeck, Phleger & Harrison LLP (“Brobeck”) from 1969 until retiring in January 2003, except for the period from July 1971 to September 1973 when he was in government service as Assistant Secretary of the United States Department of the Interior and Counselor to George P. Shultz, Chairman of the Cost of Living Council. From 1988 until March 1996, Mr. Larson was Chief Executive Officer of Brobeck. Mr. Larson has served on the board of Wage Works, Inc. (an employee benefits company) since 2000, and Sangamo BioSciences, Inc. since 1996. Mr. Larson holds a J.D. and a B.A., with distinction, in economics, from Stanford University.

F. Randall Smith — Mr. Smith is founder, Member of the Investment Committee, Investment Analyst, and Portfolio Manager of Capital Counsel LLC, a registered investment advisory firm. He was a co-founder and Chief Investment Officer of Train, Smith Counsel, a registered investment advisory firm, from 1975 to 1999. Before that he co-founded National Journal, a weekly publication on the U.S. Government, and served as Special Assistant to the Undersecretary of State for Economic Affairs prior to founding Train, Smith Counsel.

## **Distribution Arrangements**

Needham & Company, LLC (the “Distributor”), an affiliate of the Adviser, acts as a distributor for the Funds.

The Board of Directors has approved a Distribution and Services Agreement (the “Distribution Agreement”) appointing the Distributor as a distributor of shares of the Funds. Under the Distribution Agreement, the Distributor will bear the cost and expense of preparing, printing and distributing any materials not prepared by the Funds and other materials used by the Distributor in

connection with its offering shares of the Funds. Each Fund will pay all fees and expenses in connection with registering and qualifying its shares under Federal and state securities laws.

Rule 12b-1 under the 1940 Act permits an investment company to directly or indirectly finance any activity associated with the sale and distribution of its shares and/or shareholder-related services in accordance with a plan adopted by the Board of Directors. Pursuant to this rule, the Directors of The Needham Funds, Inc. have approved an Amended and Restated Plan of Distribution Pursuant to Rule 12b-1 (the “Rule 12b-1 Plan”) pursuant to which each Fund may pay a distribution services and/or shareholder services fee to Needham & Company, LLC or others at an annual rate of up to 0.25% of the aggregate average daily net assets of Retail Class shares of such Fund which are attributable to the efforts of Needham & Company, LLC or the various other distributors or service providers. These fees are paid out of the assets of each Fund’s Retail Class shares on an ongoing basis, and thus over time these fees will increase the cost of your investment in Retail Class shares and may cost you more than paying other types of sales charges.

In addition, the Adviser may pay amounts from its own resources, and not as an additional charge to the Funds, to certain financial institutions in connection with the sale and/or distribution of the Funds’ shares or the retention and/or servicing of the Funds’ shareholders. These payments, which may include payments for marketing support, are in addition to any distribution or servicing fees payable pursuant to the Funds’ Rule 12b-1 Plan. Because these payments are not made by shareholders or the Funds, the Funds’ total expense ratios will not be affected by any such payments. These payments sometimes are referred to as “revenue sharing.” In some cases, such payments may create an incentive for the financial institution to recommend or make shares of the Funds available to its customers and may allow the Funds greater access to the financial institution’s customers.

The Needham Funds, Inc. and/or the Distributor may enter into related servicing agreements appointing various firms, such as broker-dealers or banks, and others, to provide all or any portion of the foregoing services for their customers or clients through the Funds.

The accounting and shareholder-related services provided by broker-dealers, banks and other qualified financial institutions may include, but are not limited to, establishing and maintaining shareholder accounts,

sub-accounting, processing of purchase and redemption orders, sending confirmation of transactions, forwarding financial reports and other communications to shareholders, and responding to shareholder inquiries regarding the Funds. U.S. Bank, N.A. acts as custodian for the Funds.

### ***Net Asset Value***

The price of each Fund's shares is the net asset value ("NAV") of each Fund. The NAV per share of each Fund will generally be determined on each day when the New York Stock Exchange (the "Exchange") is open for business at the close of regular session trading on the Exchange (usually 4:00 p.m. Eastern Time) and will be computed by determining the aggregate market value of all assets of each Fund less its liabilities, and then dividing that amount by the total number of its shares outstanding. On holidays or other days when the Exchange is closed, the NAV is not calculated, and the Funds do not transact purchase or redemption requests. The Exchange will not open in observance of the following holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. However, on those days, the value of the Funds' assets may be affected to the extent that the Funds hold foreign securities that trade on foreign markets that are open. From time to time, the Funds may employ fair-value pricing to value securities for which market quotations are not readily available or for which market quotations are believed to be unrepresentative of fair market value. The determination of NAV for a particular day is applicable to all applications for the purchase of shares as well as all requests for the redemption of shares received by the Fund's transfer agent, U.S. Bancorp Fund Services, LLC (the "Transfer Agent"), before the time at which NAV is determined on that day. Therefore, the price at which a purchase or redemption is effected is based on the next calculation of NAV after the order is placed. All purchase orders received before 4:00 p.m. (Eastern Time) will be processed on that same day. Purchase orders received after 4:00 p.m. (Eastern Time) will receive the next business day's NAV per share. The Funds may change the time at which the price of each Fund's shares is determined if the Exchange closes at a different time or an emergency or other extraordinary situation exists.

Portfolio securities for which market quotations are readily available are stated at the last sale price reported by the principal exchange for the security as of the exchange's close of business. Securities for which no sale has taken place during the day and securities which are not listed on an exchange are valued at the mean of the highest closing bid and lowest asked prices.

All other securities and assets for which (a) market quotations are not readily available, such as in the case of a market or technical disruption that prevents the normal trading of a security held by a Fund, (b) market quotations are believed to be unrepresentative of fair market value, such as in the case of a thinly traded security, or (c) valuation is normally made at the last sale price on a foreign exchange and a significant event occurs after the close of that exchange but before the Exchange closes, are valued at their fair value as determined in good faith by the Board of Directors, although the actual calculations may be made by persons acting pursuant to the direction of the Board of Directors. Fair value may be determined by a variety of factors, including the analysis of market valuations of comparable securities, the analysis of market events which the Adviser believes impacts the determination of fair value, the use of the most recently traded price for a security, or any quantitative or qualitative analysis which will allow a Fund to reasonably arrive, in good faith, at a fair valuation.

When fair-value pricing is employed, the prices of securities used by the Funds to calculate its NAV may differ from quoted or published prices for the same securities. In addition, due to the subjective and variable nature of fair-value pricing, it is possible that the value determined for a particular asset may be materially different from the value realized upon such asset's sale. The Adviser includes any fair-value pricing of securities in a written report to the Board of Directors for its consideration and approval on a quarterly basis.

### **How to Purchase Shares**

The Funds currently offer two classes of shares: Retail Class shares and Institutional Class shares.

#### ***Retail Class Shares***

Retail Class shares are offered at their NAV without any sales or other charge. Retail Class shares are subject to 12b-1 distribution fees of up to 0.25% of the average daily net assets of Retail Class shares. Over time, fees paid under this distribution and service plan will increase the cost of a Retail Class shareholder's investment and may cost more than other types of sales charges. The minimum initial investment for Retail Class shares for individuals, corporations, partnerships, and trusts is \$2,000. There is a \$100 minimum for subsequent investments. For IRAs, the minimum initial investment is \$1,000

and there is no minimum for subsequent investments.

### ***Institutional Class Shares***

Institutional Class shares are offered primarily for direct investments by institutional investors, such as pension and profit-sharing plans, employee benefit trusts, endowments, foundations, corporations, and high net worth individuals. The minimum initial investment for Institutional Class shares is \$100,000. The Adviser may waive the initial minimum in certain circumstances, including, but not limited to, the following:

- Certain wrap or other fee based programs for the benefit of clients of investment professionals or other financial intermediaries;
- Employees and directors of the Adviser and its affiliates and their families;
- Employee benefit plans sponsored by the Adviser;
- Directors of The Needham Funds, Inc. and their families;
- Employer-sponsored retirement plans, such as defined contribution plans (401(k) plans and 457 plans), defined benefit plans, pension and profit-sharing plans, employee benefit trusts, employee benefit plan alliances and other retirement plans established by financial intermediaries where the investment is expected to reach the \$100,000 minimum within a reasonable time period; and
- Certain registered investment advisers, broker-dealers and individuals accessing accounts through registered investment advisers.

Family members include a spouse, parents, a spouse's parents, children, children's spouses, brothers, sisters, and a domestic partner of the employee, Director of The Needham Funds, Inc., or director of the Adviser.

### ***Factors to Consider when Choosing a Share Class***

When deciding which class of shares of a Fund to purchase, you should consider your investment goals, present and future amounts you may invest in the Fund, and the length of time you intend to hold your shares. To help you make a determination as to which class of shares to buy, please refer back to the examples of the Funds' expenses over time in the "Fees and Expenses of the Fund" section for each Fund in this Prospectus. You also may wish to consult with your financial adviser for advice with regard to which share class would be most appropriate for you.

### ***Purchasing Shares***

You may purchase shares of the Funds by sending a completed application form and check to:

The Needham Funds, Inc.  
c/o U.S. Bancorp Fund Services, LLC  
P.O. Box 701  
Milwaukee, WI 53201-0701

However, you should not send any correspondence by overnight courier to the above post office box address. Correspondence sent by overnight courier should be sent to:

The Needham Funds, Inc.  
c/o U.S. Bancorp Fund Services, LLC  
615 East Michigan Street, 3<sup>rd</sup> Floor  
Milwaukee, WI 53202

The Funds do not consider the U.S. Postal Service or other independent delivery services to be its agents. Therefore, deposit in the mail or with such services, or receipt at the U.S. Bancorp Fund Services, LLC post office box of purchase applications or orders does not constitute receipt by the Transfer Agent.

Please make sure you indicate how much money you want invested in each Fund.

You may purchase additional Fund shares by telephone by calling 1-800-625-7071. Telephone transactions may not be used for initial purchases. U.S. Bancorp Fund Services, LLC ("USBFS" or the "Administrator") is the administrator of the Funds.

You also may purchase shares of the Funds through authorized broker-dealers or other institutions who may charge for their services. These sales agents have the responsibility of transmitting purchase orders and funds, and of crediting their customers' accounts following redemptions, in a timely manner and in accordance with their customer agreements and this Prospectus. The Funds may be deemed to have received a purchase order when an authorized broker-dealer or, if applicable, its authorized designee, receives the order.

The Funds' minimum investment requirements may be waived for certain fee-based advisory accounts that are included in investment advisory products (for example, wrap accounts). In addition, the Adviser, in its sole discretion, may waive the minimum initial or subsequent investment amount on a case-by-case

basis. Shares of the Funds are offered on a continuous basis. The Funds, however, reserve the right, in their sole discretion, to reject any application to purchase shares. Purchases cannot be made without a completed application. All checks must be in U.S. dollars drawn on a domestic bank. The Funds will not accept payment in cash or money orders. To prevent check fraud, the Funds will not accept third party checks, Treasury checks, credit card checks, traveler's checks or starter checks for the purchase of shares. The Funds are unable to accept post dated checks or any conditional order or payment. The Transfer Agent will charge a \$25.00 fee against a shareholder's account, in addition to any loss sustained by the Fund, for any payment that is returned.

All shares will be purchased at the NAV per share next determined after receipt of your application in good order. "Good order" means that your purchase request includes:

- Fund name and account number;
- Amount of the transaction (in dollars or shares);
- A completed account application or investment stub;
- Corporate/Institutional accounts only: A certified corporate resolution dated within the last six months (or a certified corporate resolution and letter of indemnity) must be on file with the Transfer Agent;
- Any supporting legal documentation that may be required; and
- When opening a new account, a check payable to Needham Funds.

After you open an account, you may purchase additional shares by sending a check payable to Needham Funds and using the address given above. Please include your account number and the name of the Fund in which you wish to invest on the check. Investors may purchase additional shares of a Fund by calling 1-800-625-7071. Unless you have declined telephone transaction options on your account application, and if your account has been open for at least 15 days, telephone orders will be accepted via electronic funds transfer from your bank account through the Automated Clearing House ("ACH") network. You must have submitted a voided check to have bank information established on your account prior to making a purchase. Telephone trades must be received by or prior to market close. If your order is received prior to 4:00 p.m. Eastern Time, your shares will be purchased at the net asset value calculated on the day your order is placed. If your order is received after 4:00 p.m. Eastern Time, your shares will be purchased at the net asset value calculated on the next business day. During periods of high market activity, shareholders may encounter higher than usual call wait times. Please allow sufficient time to place your

telephone transaction. Once a telephone transaction has been placed, it cannot be canceled or modified.

Each Fund charges a short-term redemption fee of 2.00% at the time of redemption on shares held 60 days or less. This fee is paid to the applicable Fund and is designed to offset costs to the Fund's remaining shareholders. The Funds use the first-in, first-out ("FIFO") method to determine the holding period. Under this method, the date of the redemption and amount of shares being redeemed will be compared to the earliest purchase date for shares of a particular Fund held in a shareholder's account. If this holding period is 60 days or less for any of the shares being redeemed, the short-term redemption fee will be assessed on the redemption of the applicable shares. (See "Additional Information on Redemptions" below.)

### **Wire Transfer**

If you are making your first investment in the Funds, before you wire funds the Transfer Agent must have a completed account application. You may mail or overnight deliver your account application to the Transfer Agent. Upon receipt of your completed account application, the Transfer Agent will establish an account for you. The account number assigned will be required as part of the instruction that should be provided to your bank to send the wire. Your bank must include both the name of the Fund you are purchasing, the account number, and your name so that monies can be correctly applied. Your bank should transmit funds by wire to:

U.S. Bank, N.A.  
777 East Wisconsin Avenue  
Milwaukee, WI 53202  
ABA #075000022  
Credit:  
U.S. Bancorp Fund Services,  
LLC  
Account #112-952-137  
Further Credit:  
(name of Fund to be  
purchased)  
(shareholder registration)  
(shareholder account number)

Before sending your wire, please contact the Transfer Agent at 1-800-625-7071 to advise it of your intent to wire funds. This will ensure prompt and accurate credit upon receipt of your wire.



Wired funds must be received prior to 4:00 p.m. (Eastern Time) to be eligible for same day pricing. The Funds and U.S. Bank, N.A. are not responsible for the consequences of delays resulting from the banking or Federal Reserve wire system, or from incomplete wiring instructions.

### ***Exchanges***

You may exchange some or all of your shares in any Fund for the same class of shares in an identically registered account of any other Funds of The Needham Funds, Inc.

When you exchange shares, you are really selling shares of one Fund and buying shares of another Fund. Therefore, your sale price and purchase price will be based on the NAV next calculated after your exchange request is received. Please note that any exchange may have tax consequences for you. You may exchange your shares on any day on which the Exchange is open for trading by contacting the Funds directly either by mail or telephone, if you did not decline telephone transaction options on your application. You may also exchange shares through your financial institution by mail or telephone. If you establish a new account by exchange, the exchanged shares must have a minimum value of \$2,000 (\$1,000 for IRAs). All subsequent exchanges must have a minimum value of \$500. There is no minimum value for subsequent exchanges made by IRAs. However, the Adviser, in its sole discretion, may waive the minimum value of exchanged shares on a case-by-case basis. If you recently purchased shares by check or electronic funds transfer through the ACH network, you may not be able to exchange your shares until your purchase has cleared (which may take up to 12 calendar days from the date of purchase). Each Fund will assess a 2.00% short-term redemption fee on the exchange of shares held 60 days or less.

There is currently no service fee for exchanges; however, the Funds may change or terminate this privilege on 60 days' notice. Broker-dealers may charge you a fee for handling exchanges. Please note that exchanges may be made only four (4) times in any twelve (12) month period. The exchange privilege is not intended as a vehicle for short-term trading.

### ***Conversions***

You may be able to convert your shares of one class of a Fund into shares of another class of the same Fund, provided certain conditions are met, such as meeting the applicable eligibility requirements for investment into the new share class.

If you wish to convert your shares of one class of a Fund into shares of another class of the Fund, you must contact the Fund at 1-800-625-7071. The conversion will be effected on the basis of the relative

net asset values of the two classes as of the conversion date without the imposition of any fee or other charges by a Fund. Please contact your financial intermediary about any fees that it may charge. A conversion of shares of one class of a Fund into shares of another class of a Fund is not expected to result in realization of a capital gain or loss for federal income tax purposes.

### ***Automatic Investment Program***

Once your account has been opened with the initial minimum investment you may make additional purchases on the fifth or twentieth day of each month through the Automatic Investment Plan. This Plan provides a convenient method to have monies deducted from your bank account for investment into the Funds. In order to participate in the Plan, each purchase must be in the amount of \$100 or more for Retail Class shares, and your financial institution must be a member of the ACH network. If your bank rejects your payment, the Funds' Transfer Agent will charge a \$25.00 fee to your account. To begin participating in the Plan, please complete the Automatic Investment Plan section on the account application or call the Funds' Transfer Agent at 1-800-625-7071 for additional information. Any request to change or terminate your Automatic Investment Plan should be submitted to the Transfer Agent 5 days prior to the effective date.

### ***Anti-Money Laundering Compliance***

The Funds, the Distributor, and certain financial intermediaries (the "AML Entities") are required to comply with various anti-money laundering laws and regulations. Consequently, the AML Entities may request additional information from you to verify your identity and source of funds. If the AML Entities determine that the information submitted does not provide for adequate identity verification, it reserves the right to reject the establishment of your account. If at any time the AML Entities believe an investor may be involved in suspicious activity or if certain account information matches information on government lists of suspicious persons, they may choose not to establish a new account or may be required to "freeze" a shareholder's account. They also may be required to provide a governmental agency or another financial institution with information about transactions that have occurred in a shareholder's account or to transfer monies received to establish a new account, transfer an existing account or transfer the proceeds of an existing account to a governmental agency. In

some circumstances, the law may not permit the AML Entities to inform the shareholder that it has taken the actions described above.

Federal law requires the Funds to obtain, verify and record identifying information, which may include the name, residential or business street address, date of birth (for an individual), social security or taxpayer identification number or other identifying information for each investor who opens or reopens an account with a Fund. Applications without the required information, or without any indication that a social security or taxpayer identification number has been applied for, may not be accepted. After acceptance, to the extent permitted by applicable law or its customer identification program, a Fund reserves the right (a) to place limits on transactions in any account until the identity of the investor is verified; or (b) to refuse an investment in a Fund or to involuntarily redeem an investor's shares and close an account in the event that an investor's identity is not verified. A Fund and its agents will not be responsible for any loss in an investor's account resulting from the investor's delay in providing all required identifying information or from closing an account and redeeming an investor's shares when an investor's identity cannot be verified. Shares of the Funds have not been registered for sale outside of the United States. Please contact the Transfer Agent at 1-800-625-7071 if you need additional assistance when completing your application.

## How to Redeem Shares

You may redeem your shares at any time. You are entitled to redeem all or any portion of the shares credited to your accounts by submitting a written request for redemption by regular mail to:

The Needham Funds, Inc.  
c/o U.S. Bancorp Fund Services, LLC  
P.O. Box 701  
Milwaukee, WI 53201-0701

Redemption requests sent by overnight courier should be sent to:

The Needham Funds, Inc.  
c/o U.S. Bancorp Fund Services, LLC  
615 E. Michigan Street, 3<sup>rd</sup> Floor  
Milwaukee, WI 53202

The Funds do not consider the U.S. Postal Service or other independent delivery services to be its agents. Therefore, deposit in the mail or with such services, or receipt at the U.S. Bancorp Fund Services, LLC post office box, of purchase orders or redemption requests

does not constitute receipt by the Transfer Agent of the Funds.

Please make sure you indicate how much money you want to redeem from each Fund.

Upon receipt of a redemption request in good order, your shares will be redeemed at the next determined NAV. If any portion of the shares to be redeemed represents an investment made by check or electronic funds transfer through the ACH network, the Funds may delay payment of the redemption proceeds until the Transfer Agent is reasonably satisfied that your purchase has cleared. This may take up to twelve (12) calendar days from the purchase date.

Payment for shares redeemed will be mailed to you typically within one or two business days, but no later than the seventh calendar day after receipt of the redemption request by USBFS. If payment of liquidation proceeds is to be made by wire transfer to a predetermined bank account, a \$15.00 wire fee will be applied. Investors may also have proceeds sent via electronic funds transfer through the ACH network, to a previously designated bank account. There is no charge to have proceeds sent via the ACH system and credit is available within 2-3 days.

Your written redemption request will be considered to have been received in "good order" if it includes:

- The shareholder's name;
- The name of the Fund;
- The account number;
- The share or dollar amount to be redeemed; and
- The signatures of all registered shareholders with signature guarantees, if applicable.

USBFS may request additional documentation from corporations, executors, administrators, trustees, guardians, agents or an attorney-in-fact.

A signature guarantee, from either a Medallion program member or a non-Medallion program member, is required to redeem shares in the following situations:

- If ownership is being changed on your account;

- When redemption proceeds are payable or sent to any person, address or bank account not on record;
- If a change of address was received by USBFS within the last 60 calendar days; and
- For all redemptions in excess of \$25,000 from any shareholder account.

In addition to the situations described above, the Funds and/or USBFS reserve the right to require a signature guarantee or other acceptable signature verification in other instances based on the circumstances relative to the particular situation. The Funds reserve the right to waive any signature requirement at their discretion.

Signature guarantees will generally be accepted from domestic banks, brokers, dealers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations, as well as from participants in the New York Stock Exchange Medallion Signature Program and the Securities Transfer Agents Medallion Program (“STAMP”). A notary public is not an acceptable signature guarantor.

Non-financial transactions, including establishing or modifying certain services on an account, may require signature guarantee, signature verification from a Signature Validation Program member, or other acceptable form of authentication from a financial institution source.

### ***Telephone Redemptions/Exchanges***

The Funds permit individual shareholders or a representative of record for an account to redeem or exchange shares by telephone in amounts up to \$25,000 by calling 1-800-625-7071. If you have not declined telephone transaction options on the account application, you may redeem or exchange shares by telephone. Telephone redemptions or exchanges must be in amounts of \$1,000 or more. Instructions must include your account number and the name of the Fund. Checks issued must be made payable to the owner of record and may only be mailed to the address of record. The request cannot be honored if an address change has been made for the account within 60 days of the telephone redemption request. If there are multiple account owners, the Transfer Agent may rely on the instructions of only one owner.

Shares held in IRA or other retirement plan accounts may be redeemed by telephone at 1-800-625-7071. Investors will be asked whether to withhold taxes from any distribution. The Administrator may record all calls.

Each Fund or its agents will employ reasonable procedures to confirm that instructions communicated

by telephone are genuine. These procedures may include, among other things, requiring some form of personal identification prior to acting upon telephone instructions. If an account has more than one owner or authorized person, the Fund or its agents will accept telephone instructions from any one owner or authorized person. The Funds reserve the right to refuse a telephone redemption or exchange if they believe it is advisable to do so. Assuming the Funds’ security procedures are followed, neither the Funds nor their agents (including USBFS) will be responsible for the authenticity of redemption or exchange instructions received by telephone and believed to be genuine and any loss therefrom will be borne by the investor. During periods of substantial economic or market change, telephone redemptions or exchanges may be difficult to complete. You may always redeem or exchange shares by mail if you are unable to contact the Funds or their agents by telephone. Telephone trades must be received by or prior to market close. During periods of high market activity, shareholders may encounter higher than usual call waits. Please allow sufficient time to place your telephone transaction. Once a telephone transaction has been placed, it cannot be canceled or modified.

### ***Additional Information on Redemptions***

The Board of Directors has adopted policies and procedures with respect to frequent purchases and redemptions of the Funds’ shares by the Funds’ shareholders. The Funds discourage, and do not accommodate, frequent purchases and redemptions of the Funds’ shares by the Funds’ shareholders. The Funds restrict or reject such trading or take other action if, in the judgment of the Adviser or the Funds’ Transfer Agent, such trading may interfere with the efficient management of the Funds’ portfolios, may materially increase the Funds’ transaction costs, administrative costs or taxes, or may otherwise be detrimental to the interests of the Funds and their shareholders. The steps the Funds utilize to discourage frequent transactions may include monitoring trading activity, imposing trading restrictions on certain accounts, and imposing short-term redemption fees, as set forth herein. Transactions placed in violation of the Funds’ market-timing trading policy may be cancelled or revoked by the Funds on the next business day following receipt by the Funds.

While the Funds (directly and with the assistance of their service providers) identify and restrict frequent trading, there is no guarantee that the Funds will be able to detect frequent

purchases and redemptions or the participants engaged in such activity, or, if it is detected, to prevent its recurrence. The Funds receive purchase and sale orders through financial intermediaries and cannot always detect frequent trading that may be facilitated by the use of such intermediaries or by the use of group or omnibus accounts maintained by those intermediaries. The Funds' Transfer Agent is unable to track or assess short-term redemption fees on omnibus account shares redeemed through financial intermediaries. The Funds are dependent on financial intermediaries to track and assess short-term redemption fees due on omnibus account shares on the Funds' behalf, and the Funds and the financial intermediaries have limited ability to effectively track, assess and collect short-term redemption fees on shares redeemed through the financial intermediaries. In situations in which the Funds become aware of possible market-timing activity, it will notify the financial intermediary in order to help facilitate the enforcement of its market-timing policies and procedures. These policies will be applied uniformly to all financial intermediaries. However, there is no assurance that the financial intermediary will investigate or stop any activity that proves to be inappropriate. There is a risk that the Funds' and the financial intermediary's policies and procedures will prove ineffective in whole or in part to detect or prevent frequent trading. Whether or not the Funds or the financial intermediaries detect it, if market-timing activity occurs, then you should anticipate that you will be subject to the disruptions and increased expenses discussed above.

As stated above, shares held 60 days or less are subject to a short-term redemption fee of 2.00% at the time of redemption. This fee does not apply to those retirement plans listed below under "*Shareholder Services*" which request that the Funds not charge this fee. In addition, each Fund will waive the 2.00% short-term redemption fee on shares acquired as a result of reinvested distributions, certain assets under advisory programs that are subject to periodic rebalancing strategies, and other types of accounts on a case-by-case basis in the Adviser's sole discretion that are approved by the Funds' Chief Compliance Officer.

You may elect to have redemption proceeds of \$1,000 or more wired to your brokerage account or a commercial bank account designated by you. The current fee for this service is \$15.00.

If you have an IRA or other retirement plan, you must indicate on your written redemption request whether or not to withhold Federal income tax. Redemption requests failing to indicate an election not to have Federal income tax withheld will be subject to withholding.

You may also redeem shares through broker-dealers holding such shares who have made arrangements with the Funds permitting redemptions by telephone or facsimile transmission. These broker-dealers may charge a fee for this service. The Funds will be deemed to have received a redemption order when an authorized broker-dealer, or, if applicable, its authorized designee, receives the order.

If your transactions in the Funds' shares at any time reduce your account value to below \$1,000, the Funds may choose to notify you that, unless your account is brought up to at least such minimum amount, the Funds may, within 90 days, redeem all your shares in the account and close it by making payment to you of the proceeds.

Your Fund account may be transferred to your state of residence if it fails to meet certain ownership or activity requirements as specified in your state's abandoned property laws.

It is important that the Funds maintain a correct address for each investor. An incorrect address may cause an investor's account statements and other mailings to be returned to the Funds. Based upon statutory requirements for returned mail, the Funds will attempt to locate the investor or rightful owner of the account. If the Funds are unable to locate the investor, then they will determine whether the investor's account can legally be considered abandoned. The Funds are legally obligated to escheat (or transfer) abandoned property to the appropriate state's unclaimed property administrator in accordance with statutory requirements. The investor's last known address of record determines which state has jurisdiction.

## **Shareholder Services**

Certain tax-advantaged retirement plans are available through which you may purchase shares, including IRAs (and "rollovers" from existing retirement plans) for you and your spouse, SEP-IRAs and Roth IRAs. Shares of the Funds may also be purchased by Qualified Retirement Plans such as profit-sharing and money purchase plans, 401(k) Plans and other Defined Contribution Plans, and by Defined Benefit Plans. These types of accounts may be established only upon receipt of a written application form. Should you have questions on the purchase of shares by retirement plans, please call 1-800-625-7071 for Shareholder Services.

## Tax Status, Dividends and Distributions

Each Fund intends to make annual distributions to its shareholders of record of substantially all of its realized net capital gains (the excess of realized net long-term capital gains over realized net short-term capital losses), any realized net gains from foreign currency transactions, net investment income and the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. The Funds may make additional distributions, if necessary, to avoid a 4% excise tax on certain undistributed ordinary income and capital gain net income. Certain distributions made to shareholders of record as of a date in October, November or December of a given year which are paid by the Funds in January of the immediately subsequent year will be taxable to shareholders as if received on December 31 of such given year.

Unless an investment in a Fund is through a tax-exempt account or plan, such as an IRA or qualified retirement plan, distributions are generally taxable to shareholders at different rates depending on the length of time the Fund holds its assets and the type of income that the Fund earns. Different tax rates apply to ordinary income, qualified dividend income and long-term capital gain distributions, regardless of the shareholder's holding period for the shares. In general, under current law a non-corporate shareholder's net capital gains will be taxed at a maximum rate of 20% thereafter, for property held by a Fund for more than 12 months. Distributions of net investment income and net capital gains are taxable whether received in cash or reinvested in additional shares. In addition, recently enacted legislation imposes a new 3.8% Medicare tax on the "net investment income" of certain individuals, estates and trusts. For this purpose, "net investment income" generally includes taxable dividends and redemption proceeds from investments in regulated investment companies such as the Fund.

Unless a shareholder elects to do otherwise, all dividends and capital gain distributions from the Funds will be automatically reinvested in additional full and fractional Fund shares. Shareholders who do not wish to have dividends and distributions automatically reinvested in Fund shares may choose the following options:

- (1) automatic reinvestment of capital gain distributions in Fund shares and payment of dividends in cash;
- (2) payment of all distributions and dividends in cash; or

- (3) payment of capital gains distributions in cash and automatic reinvestment of dividends in Fund shares.

If you elect to receive capital gains and/or distributions paid in cash, and the U.S. Postal Service cannot deliver the check, or if a check remains outstanding for six months, the Funds reserve the right to reinvest the distribution check in your account, at the respective Fund's current net asset value, and to reinvest all subsequent distributions.

Shareholders may change this election at any time by notifying the Transfer Agent by telephone or in writing at least five days prior to the record date of the distribution. If the account is maintained at an eligible broker-dealer or bank contact your account representative. Dividends and distributions will be reinvested at the respective Fund's per share NAV on the reinvestment date established for the dividend or distribution.

The Funds are required to withhold as "backup withholding" 28% of distributions and redemption proceeds payable to any individuals and certain other non-corporate shareholders who do not provide the Funds with a correct taxpayer identification number and certain required certifications or who are otherwise subject to backup withholding. Upon a redemption of Fund shares, a shareholder will ordinarily recognize a taxable gain or loss, subject to certain Federal tax rules.

The Funds report their shareholders' cost basis, gain or loss, and holding period to the Internal Revenue Service on the Consolidated Form 1099 provided to the shareholders of the Funds when "covered" shares of the Funds are redeemed. Covered shares are any shares acquired (including shares acquired through reinvestment of the Funds' distributions) on or after January 1, 2012. Each of the Funds has chosen the "average cost" method as its default tax method. The Funds will use this method for purposes of reporting a shareholder's cost basis unless a shareholder instructs the relevant Fund in writing to use a different calculation method. A shareholder may choose a method different from the default method chosen by the Funds at the time of purchase or sale of covered shares. Shareholders should consult their tax advisors with regard to their particular circumstances.

The foregoing is only a summary of some of the important Federal tax considerations generally affecting the Funds and shareholders. In addition to those considerations, there may be other Federal, state, local or foreign tax considerations applicable to a particular investor.

Prospective shareholders are therefore urged to consult their tax advisers with respect to the effects of the investment on their own tax situations.

### ***Administrator, Shareholder Servicing Agent and Transfer Agent***

The Funds employ U.S. Bancorp Fund Services, LLC as administrator pursuant to a Fund Administration Servicing Agreement (the "Agreement"), to provide administrative services to the Funds. The services provided by the Administrator under the Agreement are subject to the supervision of the officers and Directors of The Needham Funds, Inc., and include day-to-day administration of matters related to the corporate existence of the Funds, maintenance of records and preparation of reports.

USBFS also provides various shareholder services made available to each shareholder, including performance of transfer agency and registrar functions and as dividend paying agent. USBFS acts as the Funds' shareholder servicing agent and fund accountant. Its principal business address is 615 East Michigan Street, Milwaukee, Wisconsin 53202.

### ***Custodian***

U.S. Bank, N.A. acts as custodian for the Funds. Its principal business address is 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

## **Additional Information**

### ***Independent Registered Public Accounting Firm***

KPMG LLP, 345 Park Avenue, New York, New York 10154 serves as the Funds' independent registered public accounting firm.

### ***Counsel***

Proskauer Rose LLP, Eleven Times Square New York, NY 10036, serves as the Funds' legal counsel.

## **Index Descriptions**

A direct investment in the following indices is not possible.

### **S&P 500<sup>®</sup> Index**

The S&P 500<sup>®</sup> Index focuses on the large-cap sector of the market; however, since it includes a significant portion of the total value of the market, it also represents the market. Companies in the S&P 500<sup>®</sup> are considered leading companies in leading industries.

### **NASDAQ Composite Index**

The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market.

### **Russell 2000<sup>®</sup> Index**

The Russell 2000<sup>®</sup> Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000<sup>®</sup> Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

### **S&P MidCap 400 Index<sup>®</sup>**

The S&P MidCap 400<sup>®</sup> Index provides investors with a benchmark for mid-sized companies. The index seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

### ***Household Delivery of Shareholder Documents***

To reduce expenses, The Needham Funds, Inc. may mail only one copy of the Funds' Prospectus, annual and semi-annual reports and proxy and information statements to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please call the Funds at 1-800-625-7071 or contact your financial institution. You will begin receiving individual copies thirty days after receiving your request.

## Financial Highlights

The financial highlights table is intended to help you understand each Fund's financial performance for the past five years. Certain information reflects financial results for a single share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). The information below is excerpted from the Funds' financial statements which have been audited by KPMG LLP, whose report, along with the Funds' financial statements and related notes, is included in the Funds' Annual Report for such periods. The 2016 Annual Report is available upon request and without charge by calling 1-800-625-7071.

### Needham Growth Fund - Retail Class

	<i>Year Ended December 31,</i>				
	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
<i>(For a Share Outstanding Throughout each Period)</i>					
Net Asset Value, Beginning of Year	\$40.96	\$46.00	\$45.06	\$33.66	\$32.78
<b>Investment Operations</b>					
Net Investment Income (Loss)	(0.59)	(0.68)	(0.58)	(0.54)	(0.24)
Net Realized and Unrealized Gain (Loss) on Investments	4.86	(1.60)	4.59	12.20	4.31
Total from Investment Operations	4.27	(2.28)	4.01	11.66	4.07
<b>Less Distributions</b>					
Net Realized Gains	(1.83)	(2.76)	(3.07)	(0.26)	(3.19)
Total Distributions	(1.83)	(2.76)	(3.07)	(0.26)	(3.19)
<b>Capital Contributions</b>					
Redemption Fees	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>
Total Capital Contributions	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>
<b>Net Asset Value, End of Year</b>	<b>\$43.40</b>	<b>\$40.96</b>	<b>\$46.00</b>	<b>\$45.06</b>	<b>\$33.66</b>
<b>Total Return</b>	<b>10.57%</b>	<b>(5.07%)</b>	<b>8.98%</b>	<b>34.68%</b>	<b>12.80%</b>
Net Assets, End of Year (000's)	\$119,917	\$127,154	\$147,816	\$141,693	\$113,561
<b>Ratios/Supplemental Data</b>					
Ratio of Net Expenses to Average Net Assets	2.17%	2.05%	1.84%	1.89%	1.94%
Ratio of Net Expenses to Average Net Assets (before interest and dividend expense)	1.84%	1.82%	1.80%	1.82%	1.82%
Ratio of Total Expenses to Average Net Assets (before waiver and reimbursement of expenses)	2.17%	2.05%	1.84%	1.89%	1.94%
Ratio of Net Investment Income (Loss) to Average Net Assets	(1.36)%	(1.48)%	(1.32)%	(1.30)%	(0.65)%
Ratio of Net Investment Income (Loss) to Average Net Assets (before waivers and reimbursements of expenses)	(1.36)%	(1.48)%	(1.32)%	(1.30)%	(0.65)%
Portfolio Turnover Rate	12%	13%	12%	12%	17%

(a) Value is less than \$0.005 per share.

## Needham Growth Fund - Institutional Class

(For a Share Outstanding Throughout each Period)

	<i>Period from December 30, 2016 through December 31, 2016<sup>(1)</sup></i>
Net Asset Value, Beginning of Period	\$43.40
<b>Investment Operations</b>	
Net Investment Income (Loss)	—
Net Realized and Unrealized Gain (Loss) on Investments	—
Total from Investment Operations	—
<b>Less Distributions</b>	
Net Realized Gains	—
Total Distributions	—
<b>Capital Contributions</b>	
Redemption Fees	—
Total Capital Contributions	—
<b>Net Asset Value, End of Period</b>	<b>\$43.40</b>
<b>Total Return</b>	
	<b>0.00%</b>
Net Assets, End of Period (000's)	\$117
<b>Ratios/Supplemental Data</b>	
Ratio of Net Expenses to Average Net Assets	1.40%
Ratio of Net Expenses to Average Net Assets (before interest and dividend expense)	1.40%
Ratio of Total Expenses to Average Net Assets (before waiver and reimbursement of expenses)	—%
Ratio of Net Investment Income (Loss) to Average Net Assets	—%
Ratio of Net Investment Income (Loss) to Average Net Assets (before waivers and reimbursements of expenses)	—%
Portfolio Turnover Rate	0%

(1) The Class commenced operations on December 30, 2016.



## Needham Aggressive Growth Fund - Retail Class

(For a Share Outstanding Throughout each Period)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Year	\$19.56	\$23.55	\$22.66	\$16.63	\$14.52
<b>Investment Operations</b>					
Net Investment Loss	(0.38)	(0.39)	(0.38)	(0.37)	(0.29)
Net Realized and Unrealized Gain (Loss) on Investments	4.61	(1.28)	1.98	6.40	2.41
Total From Investment Operations	4.23	(1.67)	1.60	6.03	2.12
<b>Less Distributions</b>					
Net Realized Gains	(1.50)	(2.32)	(0.71)	—	(0.01)
Total Distributions	(1.50)	(2.32)	(0.71)	—	(0.01)
<b>Capital Contributions</b>					
Redemption Fees	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>
Total Capital Contributions	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>
<b>Net Asset Value, End of Year</b>	<b>\$22.29</b>	<b>\$19.56</b>	<b>\$23.55</b>	<b>\$22.66</b>	<b>\$16.63</b>
<b>Total Return</b>					
	<b>22.18%</b>	<b>(7.05)%</b>	<b>7.13%</b>	<b>36.26%</b>	<b>14.61%</b>
Net Assets, End of Year (000's)	\$58,696	\$50,906	\$62,353	\$68,470	\$66,746
<b>Ratios/Supplemental Data</b>					
Ratio of Net Expenses to Average Net Assets	2.71%	2.41%	2.09%	2.07%	2.06%
Ratio of Net Expenses to Average Net Assets (before interest and dividend expense)	1.95%	1.93%	1.91%	1.91%	1.89%
Ratio of Total Expenses to Average Net Assets (before waivers and reimbursement of expenses)	2.72%	2.42%	2.09%	2.07%	2.06%
Ratio of Net Investment Income (Loss) to Average Net Assets	(1.99)%	(1.73)%	(1.60)%	(1.74)%	(1.40)%
Ratio of Net Investment Income (Loss) to Average Net Assets (before waivers and reimbursements of expenses)	(2.00)%	(1.74)%	(1.60)%	(1.74)%	(1.40)%
Portfolio Turnover Rate	14%	15%	19%	20%	15%

(a) Value is less than \$0.005 per share.

## Needham Aggressive Growth Fund - Institutional Class

(For a Share Outstanding Throughout each Period)

	<i>Period from December 30, 2016 through December 31, 2016<sup>(1)</sup></i>
Net Asset Value, Beginning of Period	\$22.29
<b>Investment Operations</b>	
Net Investment Income (Loss)	—
Net Realized and Unrealized Gain (Loss) on Investments	—
Total from Investment Operations	—
<b>Less Distributions</b>	
Net Realized Gains	—
Total Distributions	—
<b>Capital Contributions</b>	
Redemption Fees	—
Total Capital Contributions	—
<b>Net Asset Value, End of Period</b>	<b>\$22.29</b>
<b>Total Return</b>	
	<b>0.00%</b>
Net Assets, End of Period (000's)	\$162
<b>Ratios/Supplemental Data</b>	
Ratio of Net Expenses to Average Net Assets	1.40%
Ratio of Net Expenses to Average Net Assets (before interest and dividend expense)	1.40%
Ratio of Total Expenses to Average Net Assets (before waiver and reimbursement of expenses)	—%
Ratio of Net Investment Income (Loss) to Average Net Assets	—%
Ratio of Net Investment Income (Loss) to Average Net Assets (before waivers and reimbursements of expenses)	—%
Portfolio Turnover Rate	0%

(1) The Class commenced operations on December 30, 2016.

## Needham Small Cap Growth Fund - Retail Class

(For a Share Outstanding Throughout each Period)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Year	\$12.44	\$14.01	\$15.63	\$12.22	\$11.26
<b>Investment Operations</b>					
Net Investment Loss	(0.20)	(0.24)	(0.24)	(0.31)	(0.15)
Net Realized and Unrealized Gain (Loss) on Investments	4.03	(1.02)	0.32	3.72	1.11
Total From Investment Operations	3.83	(1.26)	0.08	3.41	0.96
<b>Less Distributions</b>					
Net Realized Gains	(1.02)	(0.31)	(1.70)	—	—
Total Distributions	(1.02)	(0.31)	(1.70)	—	—
<b>Capital Contributions</b>					
Redemption Fees	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>
Total Capital Contributions	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>	— <sup>(a)</sup>
<b>Net Asset Value, End of Year</b>	<b>\$15.25</b>	<b>\$12.44</b>	<b>\$14.01</b>	<b>\$15.63</b>	<b>\$12.22</b>
<b>Total Return</b>	<b>31.26%</b>	<b>(8.96)%</b>	<b>0.80%</b>	<b>27.91%</b>	<b>8.53%</b>
Net Assets, End of Year (000's)	\$35,518	\$23,473	\$32,116	\$43,950	\$60,614
<b>Ratios/Supplemental Data</b>					
Ratio of Net Expenses to Average Net Assets	2.09%	2.05%	2.01%	2.06%	2.04%
Ratio of Net Expenses to Average Net Assets (before interest and dividend expense)	1.95%	1.95%	1.95%	1.96%	1.92%
Ratio of Total Expenses to Average Net Assets (before waivers and reimbursement of expenses)	2.30%	2.25%	2.11%	2.09%	2.04%
Ratio of Net Investment Income (Loss) to Average Net Assets	(1.83)%	(1.61)%	(1.49)%	(1.80)%	(1.02)%
Ratio of Net Investment Income (Loss) to Average Net Assets (before waivers and reimbursements of expenses)	(2.04)%	(1.81)%	(1.59)%	(1.83)%	(1.02)%
Portfolio Turnover Rate	99%	64%	69%	58%	72%

(a) Value is less than \$0.005 per share.

## Needham Small Cap Growth Fund - Institutional Class

(For a Share Outstanding Throughout each Period)

	<i>Period from December 30, 2016 through December 31, 2016<sup>(1)</sup></i>
Net Asset Value, Beginning of Period	\$15.25
<b>Investment Operations</b>	
Net Investment Income (Loss)	—
Net Realized and Unrealized Gain (Loss) on Investments	—
Total from Investment Operations	—
<b>Less Distributions</b>	
Net Realized Gains	—
Total Distributions	—
<b>Capital Contributions</b>	
Redemption Fees	—
Total Capital Contributions	—
<b>Net Asset Value, End of Period</b>	<b>\$15.25</b>
<b>Total Return</b>	<b>0.00%</b>
Net Assets, End of Period (000's)	\$140
<b>Ratios/Supplemental Data</b>	
Ratio of Net Expenses to Average Net Assets	1.40%
Ratio of Net Expenses to Average Net Assets (before interest and dividend expense)	1.40%
Ratio of Total Expenses to Average Net Assets (before waiver and reimbursement of expenses)	—%
Ratio of Net Investment Income (Loss) to Average Net Assets	—%
Ratio of Net Investment Income (Loss) to Average Net Assets (before waivers and reimbursements of expenses)	—%
Portfolio Turnover Rate	0%

(1) The Class commenced operations on December 30, 2016.

*Needham Growth Fund  
Needham Aggressive Growth Fund  
Needham Small Cap Growth Fund*

*Prospectus*

*May 1, 2017*

For investors who want more information about the Funds, the following documents are available upon request:

**Annual/Semi-Annual Reports:**  
Additional information about the Funds' investments is available in the Funds' annual and semi-annual reports to shareholders. In the annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Funds' performance during the last fiscal year.

**Statement of Additional Information:**  
The Funds' Statement of Additional Information ("SAI") provides more detailed information about the Funds and is incorporated into this Prospectus by reference, making it legally part of this Prospectus.

The Funds' Annual Report, Semi-Annual Report and SAI are available, without charge, upon request by contacting the Funds' Transfer Agent, U.S. Bancorp Fund Services, LLC, at 1-800-625-7071. Shareholder inquiries should be directed to The Needham Funds, Inc., P.O. Box 701, Milwaukee, WI 53201-0701.

Correspondence sent by overnight courier should be sent to The Needham Funds, Inc., c/o U.S. Bancorp Fund Services, LLC, 615 E. Michigan Street, 3<sup>rd</sup> Floor, Milwaukee, WI 53202. Shareholders may also make inquiries regarding the Funds by telephone by calling 1-800-625-7071. The Funds make available the SAI and annual and semi-annual reports, free of charge, on the Funds' website at [www.needhamfunds.com](http://www.needhamfunds.com). The SAI, annual and semi-annual reports, and other information are available by e-mail request by sending an e-mail to [webmail@needhamco.com](mailto:webmail@needhamco.com).

You also can review the Funds' Annual Report, Semi-Annual Report and SAI at the Securities and Exchange Commission's Public Reference Room. Text-only copies can be obtained from the SEC for a fee by writing to the Public Reference Section of the SEC, Washington, D.C. 20549-1520, 202-551-8090 or by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov). Copies also can be obtained free of charge from the SEC's website at [www.sec.gov](http://www.sec.gov).

Investment Company Act  
File No. 811-9114

