



## SMALL CAP ADVANTAGE

### Portfolio Comments

June 30, 2025

#### Distinguishing Features

GIM builds the [Small Cap Advantage](#) portfolio from the bottom-up; sector weightings are secondary to stock selection. As of June 30, 2025, the Small Cap Advantage portfolio was underweight its Russell 2000 Growth benchmark in Health Care, Industrials, Energy and Consumer Discretionary and overweight all other sectors. The portfolio has no exposure to Consumer Staples.

#### Commentary

##### Market Environment

In early April, the Trump Administration introduced a new wave of tariff measures that initially unsettled markets and investors alike. Branded as “Liberation Day,” the tone and substance of the announcement raised concerns about potential trade disruptions and broader macroeconomic implications. This policy shift triggered a spike in volatility and increased risk aversion, particularly among growth-oriented stocks.

At the Berkshire Hathaway Annual meeting in early May 2025, Warren Buffett remarked, *“People have emotions, but you got to check them at the door when you invest.”* His words served as a timely reminder of the importance of emotional discipline during turbulent markets. Despite heightened uncertainty, these dislocations also created compelling opportunities especially in underfollowed areas of the market where long-term secular tailwinds remain intact and valuations diverged from fundamentals.

A series of transformative Executive Orders issued by the Administration during the quarter reignited investor optimism. These policies reduced regulatory friction, accelerated approval timelines, and signaled strong federal support for several high-growth sectors, including artificial intelligence (AI), eVTOL aircraft and next-generation nuclear power.

Meanwhile, sentiment toward biotechnology improved as key regulatory overhangs began to ease. The newly confirmed FDA Commissioner reaffirmed the agency’s commitment to accelerating drug approval timelines, while the newly appointed head of CBER (Center of Biologics Evaluation and Research) reiterated ongoing regulatory support for innovation in cell and gene therapy, helping to restore confidence across the sector.

##### Performance

For the second quarter of 2025, the Russell 2000 Growth Index gained 12.0% for the quarter, while the Granahan Small Cap Advantage strategy outperformed meaningfully with a return of 20.8%. Year-to-date, the Granahan Small Cap Advantage strategy is up 5.8%, recovering steadily from the negative returns of the first quarter. In contrast, the Russell 2000 Growth Index remains in negative territory with a return of -0.5%. Outperformance for the quarter was mainly driven by strong stock selection in Technology. Stock selection in the Healthcare sector added alpha, even as the sector delivered only modest overall returns.

With respect to LifeCycle categories for the quarter, all three categories outperformed the benchmark.



Top Contributors	Top Detractors
1. <b>ODDITY Tech.</b> (Technology, Core Growth)	1. <b>Compass Inc.</b> (Real Estate, Special Situation)
2. <b>Circle Internet Group</b> (Technology, Pioneer)	2. <b>Cogent Comm.</b> (Telecomm, Special Situation)
3. <b>Porch Group</b> (Financials, Pioneer)	3. <b>OrthoPediatrics</b> (Health Care, Core Growth)
4. <b>Axon Enterprise</b> (Industrials, Core Growth)	4. <b>Repligen Corp.</b> (Health Care, Core Growth)
5. <b>Centrus Energy</b> (Energy, Special Situation)	5. <b>Syndax Pharma.</b> (Health Care, Pioneer)

## Outlook

As we enter the third quarter, recession fears have abated, interest rates have stabilized, and the evolving tariff landscape is coming into focus. The Trump Administration has taken assertive steps to advance its economic agenda, including regulatory rollbacks that could accelerate activity in key areas such as U.S. reshoring, infrastructure modernization, and industrial technology advancement. For high-quality, innovation-driven small caps, this environment offers a compelling setup, and we believe the current landscape favors active managers positioned to identify and invest in companies executing well through the volatility. At the same time, we remain attentive to potential disruptions that could impact the markets including evolving tariff policies, ongoing geopolitical tensions, and signs of renewed economic uncertainty. We continue to monitor these developments closely and maintain a fundamental-driven approach to risk management across the portfolio.

Our portfolio holdings reflect high-conviction themes such as AI infrastructure, industrial automation, and biotechnology innovation. Our investment approach remains disciplined and focused on companies with strong balance sheets, durable competitive advantages, and exposure to powerful secular trends that we believe will drive attractive, long-term returns.

***Disclosure:** The information provided in this commentary should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and, in the*



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