



SMALL CAP DISCOVERIES

Portfolio Comments

June 30, 2025

Distinguishing Features

GIM builds the [Small Cap Discoveries](#) portfolio from the bottom-up; sector weightings are secondary to stock selection. The Discoveries portfolio is overweight its position in Industrials, Consumer Discretionary, Health Care and Information Technology versus the Russell Microcap Growth benchmark. The portfolio is equal weight the Russell Micro Cap Growth benchmark in Materials and Energy and underweight in all other sectors. The portfolio has no exposure to Utilities, Real Estate and Consumer Staples.

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 Discussion

For the second quarter of 2025, the Granahan Discoveries strategy returned 17.8%, underperforming the Russell Microcap Growth Index return of 20.9%, but outperformed the secondary benchmark, the Russell 2000 Growth Index, which returned 12.0%. Stock selection in the Healthcare sector added alpha, even as the sector delivered only modest overall returns. With regards to Life Cycles this quarter, Pioneers outperformed the benchmark while Core Growth and Special Situation names underperformed the benchmark.



Top Contributors	Top Detractors
1. Centrus Energy Corp. (Energy, Special Situation)	1. Cogent Comm. Holdings (Comm. Svs, Special Situation)
2. Taysha Gene Therapies (Health Care, Pioneer)	2. Syndax Pharma. (Health Care, Pioneer)
3. Archer Aviation, Inc. (Industrials, Pioneer)	3. CEVA, Inc. (Info Technology, Special Situation)
4. Stoke Therapeutics (Health Care, Pioneer)	4. OrthoPediatrics, Corp. (Health Care, Core Growth)
5. Arteris, Inc. (Info. Tech, Pioneer)	5. PROS Holdings, Inc. (Info Tech, Special Situation)

Top Contributors in Q2:

- **Centrus Energy (LEU)** is a nuclear fuel supplier specializing in advanced enrichment technologies critical to supporting next-generation reactors and national energy security. The stock gained momentum in Q2 following a Trump Administration’s Executive Order, which included accelerated licensing pathways and federal support for domestic nuclear fuel production. As a strategic beneficiary of this policy shift, Centrus stands to play a central role in reshoring America’s nuclear fuel supply chain. We initiated a position early in the quarter and the stock has since delivered strong performance as investors recognized its unique positioning in a revitalized U.S. nuclear ecosystem.
- **Taysha Gene Therapies (TSHA)** is a clinical-stage biotech focused on developing a gene therapy for Rett syndrome, a rare neurodevelopmental disorder with no approved treatments. In 2Q25, the stock reacted positively as the company secured FDA alignment on its pivotal trial design that enabled a streamlined, single-arm study with regulatory clarity and no formal end-of-phase meeting required . Additionally, positive early results from the REVEAL trial further reinforced investor confidence. With a clear path to trial initiation in Q3 and strong tailwinds behind the regulatory strategy, we believe TSHA is well positioned as a high-conviction gene therapy investment.
- **Archer Aviation (ACHR)** is an electric vertical take-off and landing (eVTOL) developer focused on its flagship “Midnight” aircraft designed for short-range urban air taxi services. The company benefited this quarter from a supportive regulatory environment highlighted by a Trump Administration’s Executive Order that also helped with a capital raise bolstering liquidity and reinforcing confidence in its commercialization trajectory. Archer also made tangible progress in global certification underscoring growing international demand. These developments helped fuel strong stock performance in Q2, positioning Archer as a leader in the rapidly emerging urban air mobility industry.
- **Stoke Therapeutics (STOK)** is a clinical-stage biotech company pioneering RNA-based therapies to restore protein production in rare genetic diseases most notably targeting Dravet syndrome. A key growth driver this quarter was its collaboration with Biogen alongside progression into Phase 3 trials which reinforced commercial confidence. With execution underway and strong financial backing, we believe Stoke remains well positioned for further upside based on upcoming clinical and milestone catalysts.
- **Arteris, Inc. (AIP)** is a semiconductor system-IP provider focused on high-performance Network-on-Chip (NoC) interconnect and SoC-integration tools that help chipmakers efficiently scale AI, automotive, and high-performance compute architectures. Their recent launch of a new product that directly addresses rising complexity in chiplet-based AI systems highlights the company’s leading technology. AIP has benefited from accelerating demand for AI-driven system IP, underscored by strong quarter-to-quarter revenue growth and key collaborations. With chip



complexity growing and Arteris targeting break-even by mid-2026, we continue to view AIP as a compelling long-term structural play in AI infrastructure.

Top Detractors in Q2:

- **Cogent Communications (CCOI)** is a Tier-1, all-fiber internet service provider offering IP transit, Ethernet transport, optical wavelength services, colocation, and IPv4 leasing across North America. The stock lagged in 2Q25 given the delay in ramping its optical wavelength services that we believe is a timing issue. We remain optimistic about growth in the company's wavelength services business given a growing backlog and completed network reconfiguration. Despite near-term softness, we view the pullback as a compelling entry point: Cogent's expanding wavelength footprint, improving gross margins, robust dividend yield, and potential data-center monetization position it well to capitalize on secular AI infrastructure growth and deliver improved financial performance in the back half of the year.
- **Syndax Pharmaceuticals (SNDX)** is a commercial-stage biotech focused on treating hematologic cancers with its FDA-approved therapies Revuforj and Niktimvo. The stock performed poorly due to investor concerns about the long-term market opportunity and the potential for increased competition. The company delivered strong Revuforj revenue early in its launch well ahead of expectations and increases our confidence in the outlook. We increased our position due to Syndax's robust pipeline, strong strategic partnerships, and upcoming catalysts such as the mNPM1 supplemental NDA and Phase 3 trial updates that make it a compelling biotech investment.
- **CEVA Inc. (CEVA)** is a leading licensor of silicon and software IP that powers smart-edge devices like modems and Wi-Fi connectivity devices. For 1Q results, CEVA reported strong licensing agreements; however, royalty income missed expectations primarily due to a slowdown in shipments from a key Chinese mobile partner. We view this slowdown as a timing issue and added to our position during Q2. We believe CEVA's exposure to accelerating AI-related semiconductor content and its leadership in connectivity IP position it well for robust royalty growth and renewed earnings tailwinds going forward.
- **OrthoPediatrics (KIDS)** is the only pure-play orthopedic device company focused exclusively on pediatric care, supplying innovative implants and instruments to leading children's hospitals in the U.S. and internationally. While the company has been delivering inline financial results, investor apathy has weighed on this stock and other small cap medical device companies. We believe the stock is attractive given its market leadership in a growing pediatric orthopedics market, a strong balance sheet and compelling valuation relative to its long-term growth trajectory.
- **PROS Holdings (PRO)** is a leading provider of AI-powered SaaS solutions focused on pricing optimization and revenue management systems for enterprise clients. The stock underperformed during the quarter due to uncertainty surrounding enterprise IT spending especially given the company's exposure to travel-related industries. There have also been some recent changes in the executive suite that have led to uncertainty. We remain confident in sustained subscription growth and view PRO's ongoing AI-driven innovation in pricing intelligence creating a compelling long-term growth opportunity.

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.

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