GRANAHAN INVESTMENT MANAGEMENT INC

Small Cap Select Opportunities

September 30, 2019

At a Glance

Product Assets: $42 Million
Minimum Investment : $0.5 Million
Status: Open
Inception Date: March 31, 2015
Benchmark: Russell 2000 Growth
Capitalization: Typically, $200 Mil - $3 Bil at purchase
Portfolio Manager: David M. Rose, CFA
Typical Number of Holdings: ± 50

Distinguishing Factors

- Enterprise growth drives a company's stock price over the long term, while changes in market sentiment can provide opportunity in the short term.
- We invest in high quality "Core Growth" businesses – those with favorable long term growth prospects, consistent operating history, improving business fundamentals, incentives aligned with shareholders, and excellent management.
- We balance the portfolio with "Special Situations" where the business is undergoing measureable change – an improvement is underway that is material, sustainable and still unrecognized by the market.

Investment Philosophy

Granahan Investment Management (GIM) believes that smaller dynamic companies provide excellent potential for superior long-term performance. GIM's *Small Cap Select* strategy is grounded in the belief that a disciplined, fundamental, bottom-up research process can identify underappreciated growth potential in companies that may or may not have a history of strong growth. The resulting portfolio has the optimum combination of stocks with underlying growth drivers, and stocks of well-positioned companies that are poised for positive earnings revisions or are benefiting from fundamental/technical momentum.

GIM's disciplined, fundamental, bottom-up research process identifies growth drivers that may be underappreciated by the market. We seek companies that can sustain growth through market disruption. The portfolio focuses on stock selection with an overlay of thematic ideas showing the best risk/reward.

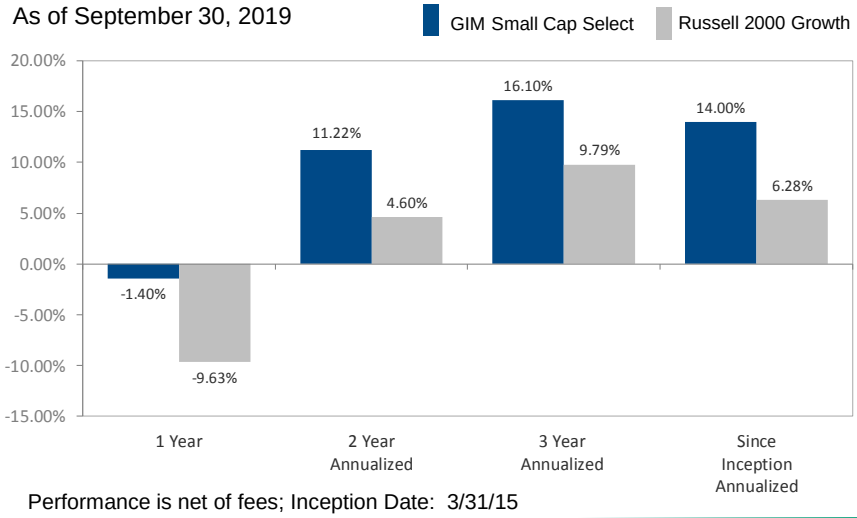
As part of a disciplined portfolio construction process, at GIM, every company in the portfolio is placed into one of three investment categories: **Core Growth, Pioneer and Special Situation. These LifeCycle categories each have different performance drivers so provide true diversification and help mitigate risk in the portfolio.**

Firm History

Founded in 1985, Granahan Investment Management, Inc. is a 100% employee-owned firm specializing in smaller cap equity investments for large institutions and wealthy individuals. The firm utilizes fundamental, bottom-up research to uncover and invest in fast growing companies. The firm manages over $1.8 billion in client assets and the founding principals have continuously strengthened the investment team which now totals seven professionals.

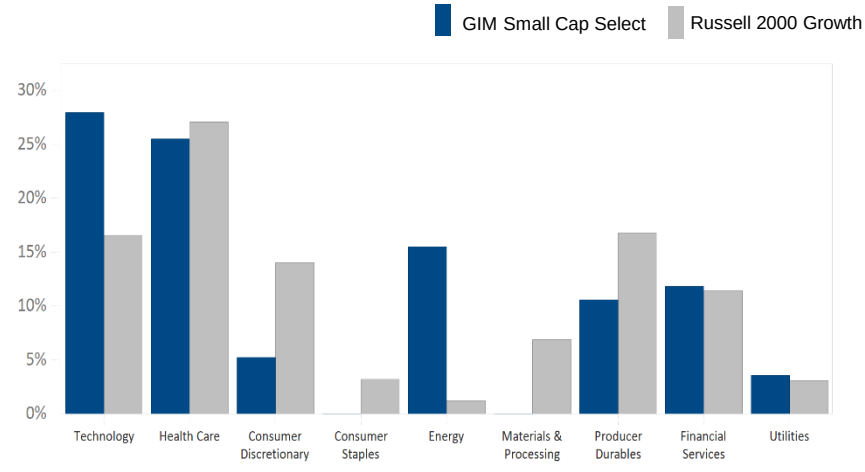
Annualized Performance: Net of Fees

As of September 30, 2019

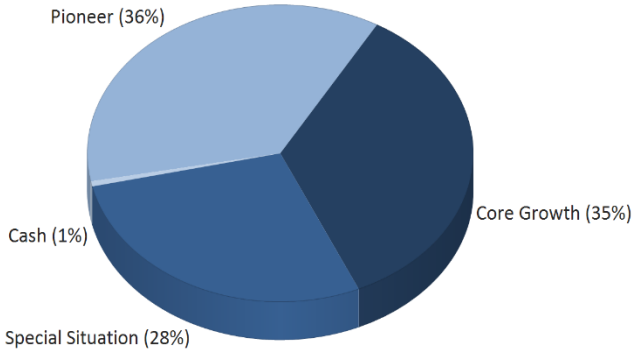


Performance is net of fees; Inception Date: 3/31/15

Sector Diversification: Individual stock selection



Life Cycle Diversification: Adds stability



Graphs and Statistics are Supplemental Information.
Please reference fully compliant GIPS Presentation on reverse side.

Small Cap Select Opportunities

September 30, 2019

Date	Small Cap Select Composite									
As of 9/30/19	Composite Gross Return	Russell 2000 Growth Return	Composite Assets $ Mil	Composite # Accts	Composite 3-Yr. Std. Dev.	Russell 2000 Growth 3-Yr. Std. Dev.	Composite Dispersion	Composite Net Return	Non-Fee Assets	Firm Assets $ Mil
YTD 2019	30.78%	15.34%	$42.3	3	19.49	17.23	NA	29.84%	1.3%	$1,866.4
2018	-9.89%	-9.31%	$43.2	5	20.04	16.46	NA	-10.78%	1.6%	$1,481.6
2017	37.44%	22.17%	$49.2	<5	NA	14.59	NA	36.15%	0.5%	$1,350.8
2016	15.07%	11.32%	$140.0	<5	NA	14.67	NA	14.01%	0.0%	$2,996.5
2015*	1.03%	-7.51%	$100.4	<5	NA	13.29	NA	0.82%	0.0%	$3,045.4

NA – Dispersion information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year; Standard deviation information has fewer than three years' data. *Partial year performance: March 31, 2015 through December 31, 2015.

Composite Footnotes

Granahan Investment Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Granahan Investment Management has been independently verified for the periods January 1, 1993 through December 31, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. GIM is an independent, SEC- registered investment firm that oversees small and mid-cap equity portfolios for large institutions and wealthy individuals. The Small Cap Select product utilizes fundamental, bottom-up research and analysis to invest in the stocks of companies in the small cap sector of the market that have the ability to sustain growth through market disruption. The Small Cap Select is a concentrate portfolio typically containing 45-50 holdings. The benchmark for the Small Cap Select product is the Russell 2000 Growth. The composite, created in September 2016, is calculated by asset-weighting the performance of each account on a monthly basis. The composite includes an autonomous sub-portfolio, which includes cash, as part of a sleeve-managed small cap strategy. Accounts are included beginning with the first full month under management and terminated accounts are included in the composite. Performance calculations, expressed in U.S. dollars, produce a total return including cash and the reinvestment of dividends and interest. The dispersion is a standard deviation using equal-weighted total returns for accounts in the composite the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Leverage is not utilized. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Returns are gross of investment management fees, which when included, reduce investment returns. The standard management fee applicable is applied to calculate the net return. The standard fee for accounts managed in the Small Cap Select style is payable quarterly in arrears and is calculated by applying the ANNUAL rate of 1.00% times the average value of the assets in the account on the last day of each month in the quarter. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. Market value is based on trade date and security pricing is supplied by Telemet. A complete list and description of all of the firm's composites is available upon request. Past performance is no guarantee of future results.

Top Ten Holdings

Security	Life Cycle Category	Percent of Portfolio
ENPHASE ENERGY	Core Growth	8.2%
DIGITAL TURBINE INC	Pioneer	7.2%
RUBICON PROJECT INC	Pioneer	7.1%
MEDICINES CO	Pioneer	7.0%
NEWMARK	Special Situation	6.1%
KORNIT DIGITAL	Core Growth	5.4%
VONAGE HOLDINGS	Special Situation	3.5%
DMC GLOBAL INC	Special Situation	3.5%
EXACT SCIENCES	Core Growth	3.3%
RING ENERGY	Special Situation	3.2%

Characteristic	Portfolio	Russell 2000 Growth
Median Market Cap	$1,628.4 mil	$855.9 mil
Weighted Avg. Market Cap	$2,596.3 mil	$2,459.4 mil
Active Share	96.58%	-
Est 3-5 Yr EPS Growth	26.1%	16.3%
Forward P/E Ratio	14.1x	20.9x
LT Debt/Capital	32.3%	33.2%
Dividend Yield	0.58%	0.75%
Price to Book	2.29x	3.83x

Source: FactSet

Holdings and Characteristics are Supplemental Information.
Please reference fully compliant GIPS Presentation above.