



GLOBAL SMALL CAP

Portfolio Comments

June 30, 2025

Distinguishing Features

GIM builds the Global Small Cap portfolio from the bottom-up; sector and geographic weightings are secondary to stock selection. The Global Small Cap strategy is overweight Information Technology, Health Care, Communication Services and Industrials versus the MSCI World Index Small Cap benchmark. The strategy is underweight in all other sectors. The portfolio has no exposure to Utilities or Energy.

Market Environment

In early April, the Trump Administration unveiled a new wave of tariffs, dubbed “Liberation Day,” that initially rattled markets and raised concerns about trade disruption and broader economic fallout. The announcement triggered a spike in volatility, a sharp decline in the U.S. dollar, and increased global risk aversion especially toward growth stocks and exporters.

Global asset flows shifted away from the U.S., driven more by diversification needs and currency fluctuations than by improved outlooks abroad. Data from LSEG's Lipper Funds show over \$100 billion flowing into European equity funds year-to-date, while U.S. equity funds saw nearly \$87 billion in outflows. At this stage, the shift represents the slight closing of the significant valuation gap, a normalization after years of meaningful underperformance, rather than the US losing its dominance globally.

Despite these headwinds, and continued instability in Eastern Europe and the Middle East, developed market economies demonstrated resilience in the quarter. U.S. consumer and business sentiment improved, though early-year strength in Europe and Japan has faded under renewed tariff uncertainty. Easing Inflation has given central banks greater policy flexibility, though Japan paused rate hikes amid trade tensions. While U.S. interest rates remain elevated, a more predictable cost of capital supported investor confidence.

Against this backdrop, global small-cap growth stocks staged a strong comeback in the quarter. Renewed M&A activity, reopening IPO pipelines, and a shift toward fundamentally sound, innovation-led companies created attractive opportunities for active managers.

Performance Discussion

In the first quarter, the Granahan Global Small Cap strategy returned 15.9%, outperforming the Core Index return of 11.6%. Stock selection drove 236bps of contribution while the allocation effect added 192bps to performance. Foreign currency had a meaningful impact on performance this quarter given the significant weakening of the US Dollar. Stock selection was strong in Consumer Discretionary (+177bps), related to the bounce back in tariff-impacted companies, and Industrials (+142bps), mostly due to our holdings in Japan. The positive allocation was driven by our significant overweight positions in Technology (73bps) and Industrials (64bps). Sectors that the portfolio consistently avoids or underweights further contributed to the quarter; Energy (+31bps), Real Estate (+27bps), Staples (+18bps).

Japan (+262bps), the United States (+155bps) and France (+119bps) were the regions that contributed meaningfully to performance. Japan (Japan Elevator Service) and France (VusionGroup) were mostly a function of stock-specific factors while the United States benefited significantly from the easing US trade



policy, improving macro sentiment and a rebound in AI-related names. Israel was the only notable detractor from performance (-87bps), entirely due to our holding in Cellebrite (explained below). From a LifeCycle standpoint, all categories contributed to performance; Core Growth (973bps), Special Situations (323bps) and Pioneers (306bps).

Top Contributors:

- **VusionGroup (VU FP)** is the leading global provider of electronic shelf labels (ESLs) and related software that enable digital transformation of brick-and-mortar retail stores. In late 2024, Walmart awarded the company a major contract to roll out ESL technology across its entire US store footprint which has been driving strong fundamental momentum over the last few periods. This quarter, VusionGroup announced significant awards from other US and European retail stores, including the first customers in Spain and the UK. The new business has confirmed the sustainability of the model beyond Walmart and led to an acceleration in near-term demand. The company remains one of our top portfolio holdings.
- **Japan Elevator Service (6544 JP)** is the largest independent elevator service company in Japan. After a couple periods of solid but uninspiring results relative to expectations, particularly related to modernization, the company posted a reacceleration of revenue growth and operating leverage. The stock likely benefited from its defensive growth characteristics amidst an uncertain global trade policy environment. We trimmed our position on strong performance but continue to own.
- **Aritzia (ATZ CN)**, a differentiated US women's apparel omnichannel retailer, was hit hard in Q1 and early Q2 by concerns regarding the Trump administration's tariff policy, specifically as it related to China, Vietnam and Canada. We maintained our position throughout the flood of negative sentiment. The moderation of tariff rates and stellar results in May, highlighted by the continued expansion into the US and ability to mitigate tariff impacts without raising prices, drove the stock back to pre-tariff levels. Aritzia continues to be a top 10 position in the portfolio.
- **Boot Barn (BOOT US)**, a top detractor last quarter, is the dominant retailer of western wear and workwear in the US. Like Aritzia, the stock sold off significantly on tariff-related concerns in Q1, specifically related to China and Mexico. While the company reported slightly lower results relative to consensus for the March quarter, management highlighted an acceleration in same store sales in April/May and expressed confidence in their ability to offset tariff pressures to maintain profitability levels. We continue to own Boot Barn.
- **Diploma PLC (DPLM LN)** is a UK value-added distributor that exports products into the US. As an industrial company, the macro uncertainty and tariff risk weighed on performance. As a long-term compounder, the lack of any recent acquisitions did not help. The company reported strong momentum in organic growth in May that led to positive earnings estimate revisions. The performance was highlighted by two past acquisitions that are driving significant market share gains in their businesses, one of which is tied to AI investment. Diploma remains a holding in the portfolio.



Top Detractors:

- **Cogent Communications (CCOI US)** is a tier-1 internet service provider executing a strategic transformation with a focus on optical wavelengths used for data center connectivity. The stock performance has been dampened given delays in converting orders to backlog that we believe is just a timing issue. We are confident that these transitional headwinds will moderate meaningfully over the next several months and continue to expect long-term upside.
- **Cellebrite (CLBT US)**, an Israeli provider of digital investigative solutions for law enforcement agencies, lowered guidance in May due to government disruption tied to the Trump administration policy changes, including DOGE actions. We are highly confident that the muted growth in the federal services work is temporary, and that the rest of the business is performing well. Ultimately, the new administration's policy on areas such as immigration will drive significant demand for Cellebrite's software.
- **OrthoPediatrics (KIDS US)** 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 the stock and other small cap medical device companies. The stock is attractive given its market leadership in a growing pediatric orthopedics market, strong balance sheet and compelling valuation relative to its long-term growth trajectory.
- **PROS Holdings (PRO US)** 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.

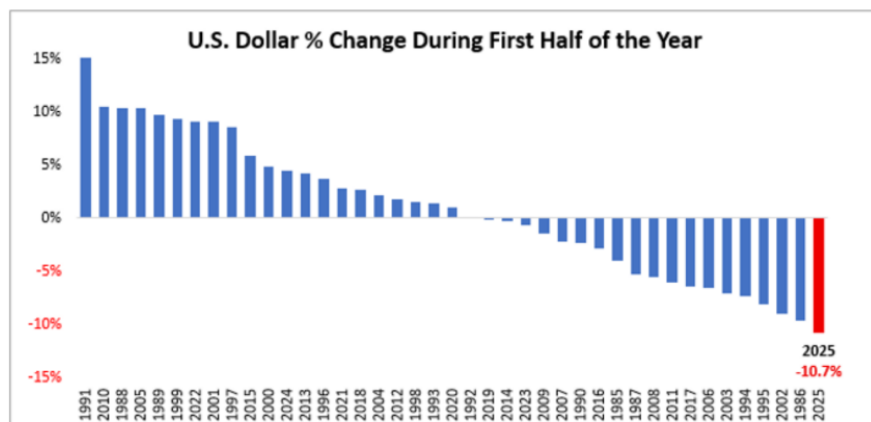
Syndax Pharmaceuticals (SNDX) is a commercial-stage biotech focused on treating hematologic cancers with its FDA-approved therapies Revuforj and Niktimvo. The stock performed poorly due to investor concerns about the long-term market opportunity and the potential for increased competition. The company 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.

A few themes worth discussing:

1. **The Dollar Decline** – The U.S. dollar declined meaningfully in the first half of 2025, weakening against most major international currencies. While shifting interest rate expectations, especially the outlook for Federal Reserve rate cuts, contributed to downward pressure, the larger driver has been rising uncertainty around U.S. trade and fiscal policy. The Trump administration's abrupt tariff announcements and aggressive stance on global trade unsettled currency markets, eroding confidence in the dollar's traditional role as a safe-haven asset. Additionally, concerns around fiscal deficits tied to the administration's expansive spending initiative have added to investor caution. These dynamics

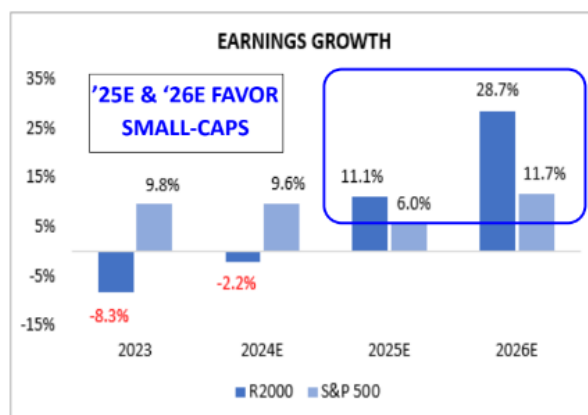
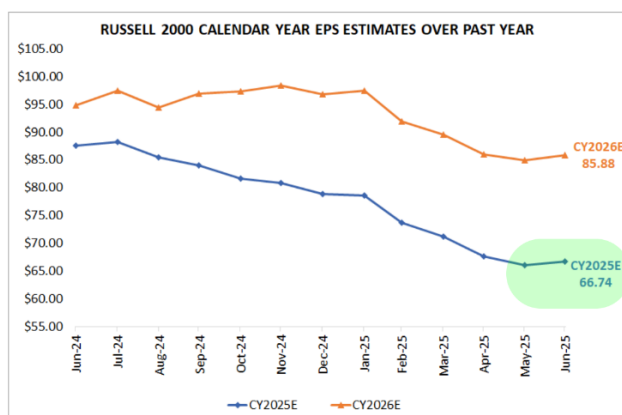


prompted a rotation into non-U.S. equities and bonds, contributing to reduced dollar exposure in global portfolios.



Source: Furey Research Partners and FactSet. Data as of 6/30/25

- Inflection in Estimates** – The expectation for an improving outlook is supported by earnings estimates for small cap stocks which are inflecting after a year of downward revisions. In addition, the earnings growth for small cap companies is expected to outpace those of large cap, potentially marking a turning point in relative performance for small cap equities.



Source: Furey Research Partners. Data as of 6/30/25. Based on our “capitalized losses” earnings model using historical constituents.

- Emotional Discipline** – At the Berkshire Hathaway Annual meeting in early May 2025, Warren Buffett remarked, “People have emotions, but you’ve got to check them at the door when you invest.” His words served as a timely reminder that emotional discipline is essential during periods of extreme market turbulence, such as those experienced by investors in the second quarter. While the environment was undoubtedly volatile, the volatility also creates compelling investment opportunities in underfollowed areas of the market, particularly where secular tailwinds remain intact and valuations disconnect from fundamentals.



Commentary

We added 8 companies to the portfolio during the quarter and eliminated 7. We exited our positions in Coats Group and FTAI Aviation to reallocate capital toward higher-conviction opportunities, including InPost S.A. and Archer Aviation. **Fortnox** (Swedish provider of SaaS software) and **Blueprint Medicines** (biopharma company focused on rare diseases) were acquired during the quarter. **Docebo** (Canadian SaaS learning management system) lost a large, premier customer when Amazon AWS decided to insource its external training program. The insourcing, likely influenced in part by AI adoption, represents a structural change and meaningful departure from our investment thesis. **Columbus McKinnon** (manufacturer of material handling equipment) completed an acquisition that increased financial leverage beyond our comfort level. Finally, **Modine Manufacturing** (leader in thermal management including cooling for data centers) was sold based on a less favorable risk/reward after strong outperformance through mid-quarter.

In terms of additions to the portfolio, we added some companies that demonstrate solid secular growth attributes. We detail a few of those new positions. **Descartes Systems**, a Canadian provider of SaaS logistics software, is a proven long-term earnings compounder that has established a strong competitive moat tied to network effects. While we believe the increasing complexity of global trade (e.g., tariffs, sanctions, restricted lists) will drive robust demand for Descartes software over the medium to long term, its customers have been paralyzed by the uncertainty of Trump's policies. This transient dynamic, coupled with weak transaction volumes, has provided what we believe is a compelling opportunity to buy a proven and resilient business model at an attractive risk/reward profile. **Archer Aviation** designs and manufactures electric vertical takeoff and landing (eVTOL) aircraft. The company is on the verge of disrupting a massive total addressable market with new technology that reduces the time and cost of commuting while simultaneously improving safety and lowering emissions. We believe the company is the best positioned in the industry to achieve FAA certification. Finally, **GMO Payment Gateway** is the leading provider of payment processing in Japan with a strong position in the business-to-consumer (B2C) ecommerce market. The shift toward cashless payments in Japan, a focus of the government, as well as the increase in ecommerce penetration is driving a long-term secular demand tailwind. The company has built a durable competitive advantage by embedding itself with small and medium-sized merchants and forging deep, long-standing partnerships with local financial institutions — relationships that are difficult to replicate and serve as a strong barrier to entry for international competitors.

Outlook

As we enter the third quarter, recession fears have abated, particularly in the US, interest rates have stabilized, and the evolving tariff landscape is slowly coming into focus. While many countries are still hammering out agreements with the US, the de-escalation by the administration over the last few weeks instills some confidence that the rates will not be overly onerous. Time will tell the extent to which economic growth is impacted in overseas markets. In addition, 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 who identify and invest in companies that are executing well.



Our portfolio holdings reflect high-conviction themes such as AI infrastructure, industrial automation, and digital transformation. 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:

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