MICROCAP GROWTH
Portfolio Comments
September 30, 2025

Distinguishing Features

GIM builds the Microcap Growth portfolio from the bottom-up; sector weightings are secondary to stock selection. In Q3, the Microcap Growth portfolio was overweight versus the Russell Microcap Growth benchmark in Health Care, Information Technology, Consumer Discretionary, and Consumer Staples. The portfolio is underweight Financials, Industrials, Energy, and Materials. We continue to have no exposure in Utilities, Real Estate, and Communication Services.

Market Environment

U.S. small-cap equities have been driven by multiple tailwinds this quarter, as economic growth has proven more resilient than anticipated, corporate earnings have remained solid, and recent declines in interest rates, energy prices, and the dollar have supported investor optimism. Offsetting these strengths, however, risks persist: sticky inflation could constrain the Fed's flexibility, tariff disputes and retaliatory measures threaten global trade, the government shutdown injects fiscal uncertainty, and the potential impact of simmering geopolitical tensions remains unknown.

Themes

Artificial intelligence remained a key driver of Russell Microcap performance in Q3 as hyperscaler capex accelerated. We maintain targeted exposure to the theme—through Veeco Instruments, CEVA, Arteris, and SuRo Capital, as well as infrastructure enablers outside of tech such as Centrus Energy and CECO Environmental that should benefit from power and facility upgrades tied to data-center buildouts. We continue to seek underappreciated AI beneficiaries—such as Arteris, whose fundamentals align with AI adoption yet whose shares have lagged peers—so we can participate in the trend while maintaining valuation discipline. At the same time, we have prudently reduced position sizes where expectations and valuations have become elevated, redeploying capital to areas with more attractive risk-reward.

Health Care, and particularly biotechnology, re-emerged as a leading theme this past quarter after a rocky start to 2025. After several years of outsized macro headwinds, followed by fresh pressure at the end of 2024 and early in 2025, investors worried the new administration's policies might disrupt the biopharma ecosystem. On the ground, however, the picture looks far less disruptive. Field checks with biotech management teams suggest operations remain largely "business as usual," and recent evidence supports this. In fact, some policy measures, particularly at the FDA, may prove constructive for the industry.

We remain attentive to risks. After the group's sharp run-up, valuations warrant careful monitoring, especially against a backdrop of ongoing macro uncertainties. We are actively managing both sector and individual position weightings to balance near-term caution with conviction in the long-term growth drivers that make biotechnology one of the most compelling areas of Health Care innovation today.

Performance Discussion.

For the third quarter of 2025, the Granahan Microcap Growth strategy returned 17.4%, modestly underperforming the Russell Microcap Growth Index return of 19.9%. Our underweighting in Financials was a positive contributor for the quarter, while stock selection in Industrials detracted from performance.

With regards to Life Cycles this quarter, Pioneers and Special Situations outperformed the benchmark while Core Growth names underperformed the benchmark.

3Q25 Top Contributors	3Q25 Top Detractors
1. **CECO Environmental** (Industrials, Special Sit.)	1. **Kornit Digital** (Industrials, Core Growth)
2. **Intellia Therapeutics** (Health Care, Pioneer)	2. **Mayville Engineering** (Industrials, Special Situation)
3. **Materion Corp.** (Materials, Core Growth)	3. **OrthoPediatrics Corp.** (Health Care, Core Growth)
4. **Bel Fuse, Inc.** (Info. Tech, Special Situation)	4. **Redwire Corp.** (Industrials, Special Situation)
5. **Syndax Pharma.** (Health Care, Pioneer)	5. **Kura Sushi USA** (Cons Disc, Pioneer)

Top Contributors in Q3:

- **CECO Environmental (CECO)** provides engineered air pollution control, industrial water, and energy-transition solutions for power industries. The stock was a strong performer in the quarter as bookings accelerated led by natural-gas power projects. This increase in orders expands backlog and enhances revenue visibility into upcoming quarters. A higher mix of utility-gas work also supports operating leverage and margin progression.

- **Intellia Therapeutics (NTLA)** is a clinical-stage gene-editing company CRISPR/Cas9 therapies led by programs in ATTR amyloidosis and hereditary angioedema. Shares were strong as investor sentiment turned more constructive on biotech broadly and genetic-medicine platforms. Intellia benefited from the read through to gene-editing leaders.

- **Materion Corp. (MTRN)** rallied after a solid quarter and constructive outlook with strength across semiconductors, aerospace, and industrial end markets. Investors responded to healthier bookings and backlog that improved revenue visibility and margin expansion. The company also stands to benefit from potential U.S. government support for critical minerals and domestic supply chains.

- **Bel Fuse, Inc. (BELFB)** designs and manufactures power conversion, circuit protection, magnetic, and connectivity solutions used across networking, industrial, and aerospace/defense end markets. Shares were strong in the quarter as bookings accelerated with networking OEMs resuming orders as programs restarted and inventories normalized.

- **Syndax Pharmaceutical (SNDX)** is a commercial-stage biotech focused on treating hematologic cancers with its FDA-approved therapies Revuforj and Niktimvo. The stock rebounded after a weak 2Q given strong financial results and investor enthusiasm for the long-term market opportunity. Syndax has a 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.

Top Detractors in Q3:

- **Kornit Digital (KRNT)** provides on-demand digital textile printing systems, proprietary inks, and workflow software serving fashion, and sportswear. The stock lagged in the quarter after Q2 revenue missed expectations and management issued weak guidance tempering growth and margin expectations. We expect system placements to improve that should improve sentiment from investors.

- **Mayville Engineering (MEC)** is a value-added contract manufacturer that provides design, and metal-fabrication solutions to commercial vehicles, construction/access, powersports and other industrial customers. Shares were weak in 3Q as management guided to weak 2H25 due to soft demand and inventory destocking across key end markets. The July acquisition of Accu-Fab adds higher margin capabilities targeting power infrastructure projects. As macro conditions improve, we anticipate normalization in end markets supporting a more constructive 2026 outlook.

- **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.
- **Redwire Corp. (RDW)** is an integrated space technology company providing mission-critical space infrastructure for civil, commercial, and national security customers. Shares were weak in the quarter as execution challenges and cost overruns on certain complex programs pressured margins. We exited our position given the inherent volatility of large fixed-price contracts serve to outweigh recent contract wins.
- **Kura Sushi (KRUS)** operates tech-enabled revolving sushi restaurants that pair conveyor-belt service with automated ordering to drive guest engagement. Traffic normalization and higher costs from new-unit openings weighed on margins. Initiatives to improve throughput and labor scheduling should support margin recovery. With a healthy new restaurant pipeline and strong customer engagement, Kura has a clear runway for multi-year unit growth and comp reacceleration.

Outlook

Heading into the final quarter of 2025, recession fears have eased, and the Fed's September rate cut from 4.25% to 4.00% suggests the beginning of a more accommodative stance. Artificial Intelligence remains the centerpiece of market enthusiasm, with accelerating investment in AI infrastructure, cloud, and advanced data platforms reinforcing its role as a secular driver of productivity and growth. Small-cap growth stocks responded favorably in Q3, supported by renewed M&A activity, a reopening IPO market, and investor appetite for companies that combine innovation with disciplined execution.

We believe our portfolio is positioned to capitalize on these opportunities, anchored in high-conviction secular themes such as AI compute and infrastructure, industrial automation, advanced software platforms, and biotech and healthcare innovation. We remain disciplined in our approach, emphasizing companies with strong balance sheets, durable competitive advantages, and a demonstrated record of execution—traits we believe are essential for compounding value in a market still marked by uncertainty and selective risk.

Microcap Growth Composite Trailing Period Returns 3Q25 - Annualized

	3Q25	YTD	1-Yr	5-Yr	Since Inception*
Microcap Growth Composite – Net	**17.4%**	**16.6%**	**12.2%**	**-2.3%**	**-1.0%**
Russell Microcap Growth Index	19.9%	19.3%	33.1%	7.8%	8.2%

Inception Date: 7/31/2000

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, 2023. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIM is an independent, SEC- registered investment firm that oversees small and mid-cap equity portfolios for large institutions and wealthy individuals. The Microcap Growth product utilizes fundamental, bottom-up research and analysis to invest in companies in the micro-cap and emerging growth sector of the market. The benchmark for Microcap Growth product is the Russell Microcap Growth Index. The composite was created in July 2020, and the inception date is July 31, 2020 and is calculated by asset-weighting the performance of each account on a monthly basis. Composite represents all accounts managed in the Microcap Growth style. 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. Effective January 1, 2021, the composite is subject to a significant cash flow removal policy for accounts with external flows greater than or equal to 75% of market value. 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 gross of fees returns and the benchmark returns over the preceding 36-month period. Leverage is not utilized. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Returns are shown both net and gross of fees. Effective January 1, 2021, the standard management fee of 1% per annum is applied to all accounts to calculate the net return. Prior to that, net of fee returns were calculated using either actual investment fees charged to the account or for accounts that pay no management fee, the standard management was applied to calculate the net return. Gross returns are gross of investment management fees, which when included, reduce investment returns. The standard fee for accounts managed in the Microcap Growth 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 and broad distribution pooled funds is available upon request. Past performance is no guarantee of future results. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.