

**SMALL CAP CORE GROWTH****Portfolio Comments****September 30, 2025****Key Takeaways**

3Q 2025 Performance:	<u>Granahan SC Core Growth: +12.5%</u>	Russell 2000 Growth: +12.2%
YTD 2025 Performance:	<u>Granahan SC Core Growth: +17.9%</u>	Russell 2000 Growth: +11.7%
Top Contributors:	Porch Group, Comfort Systems, Astera Labs, and CECO Environmental	
Bottom Detractors:	Magnite, Casella Waste, SI-Bone, Shift4, and Carpenter Technologies	
Key Themes:	AI infrastructure, biotech rebound, data center build-out	
Positioning:	Anchored in innovation-driven sectors with disciplined stock selection	

Commentary

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.

Against this backdrop, the Granahan Core Growth portfolio delivered solid third-quarter results, gaining 12.5% modestly outpacing the Russell 2000 Growth Index return of 12.2%. Year-to-date, the portfolio is up 17.9%, significantly ahead of the Index's 11.7%, underscoring the benefits of our focus on innovation-driven businesses and disciplined stock selection.

Market breadth in the Russell 2000 Growth Index remained extremely narrow in 3Q25, with less than 41% of stocks outperforming the Index. This marked only the third instance since 1986 where two consecutive quarters have shown such weak breadth. Biopharma was a notable outperformer, a challenge for most managers given the group's typical underweight exposure, a positive for the core portfolio where we are overweight. The average small-cap growth fund returned 9% versus the Index's 12.4%, with only 20% of funds beating the benchmark. Despite these challenging market dynamics and the benchmark's gains being concentrated in lower-quality, highly speculative stocks, our portfolio modestly outperformed the Index due to the benefit of disciplined stock selection and balanced risk positioning.



Top Contributors

Porch Group (Information Technology, Pioneer)	PRCH delivered its third consecutive quarterly earnings beat, and raised full-year 2025 revenue and EBITDA guidance on the back of its pivot toward higher-margin business lines. We have been trimming into strength.
Comfort Systems (Industrials, Core Growth)	FIX continued to benefit from the surge in data center demand, leveraging its unique ability to execute large, complex HVAC projects. Second-quarter results exceeded expectations and highlighted strong backlog growth; we are maintaining our position.
Astera Labs (Information Technology, Special Situation)	ALAB emerged as a critical enabler of rack-scale AI infrastructure, with strong sequential and year-over-year revenue growth supported by robust demand and new product launches. With the stock now exceeding a \$30 billion market cap, we exited the position.
Pure Storage (Information Technology, Core Growth)	PSTG has shown resilience through design wins with hyperscalers, accelerating subscription revenue, and the scaling of its storage-as-a-service model. We sold the stock as its valuation crossed \$30 billion.
CECO Environmental (Industrials, Special Situation)	CECO continues to post robust bookings and pipeline expansion, supporting confidence in revenue and margin growth. We have modestly trimmed our position size.

Bottom Detractors

Magnite (Communication Services, Core Growth)	MGNI came under pressure late in the quarter amid broader concerns about the macro environment for advertising spend. Despite the volatility, the company posted better-than-expected Q2 earnings and revenue, and remains a strong year-to-date contributor to performance.
Casella Waste (Industrials, Core Growth)	CWST, a regional leader in vertically integrated waste management across the Northeast and Mid-Atlantic, tempered its full-year profitability outlook, disappointing investors. While integration costs from recent acquisitions weighed on near-term results, we view the core business as fundamentally solid. We trimmed our position until visibility improves.
SI-BONE (Healthcare, Pioneer)	SIBN remains well positioned as its minimally invasive surgical implants for sacroiliac joint dysfunction continue to gain adoption, supported by strong clinical data and expanding reimbursement. New product launches should extend the company's growth trajectory of over 20% annually, and profitability trends are improving. Given limited near-term catalysts, we modestly reduced our position.
Shift4 Payments (Financials, Core Growth)	FOUR delivered 29% year-over-year revenue growth, but investor concerns around margin pressure and consumer spending weighed on the stock. We trimmed our position.
Carpenter Technologies (Materials, Special Situation)	CRS pulled back from recent highs after a very strong first half and largely unchanged guidance. We view the current valuation as attractive and have been selectively adding to the position .



Attribution

Sector Contributors

- **Information Technology** overweight was a major driver, led by holdings in semiconductors, equipment and hardware.
- Overweight **Health Care** outperformed, particularly in biotechnology, supported by strong stock selection.
- Underweights in **Financials**, **Energy**, and **Real Estate** added alpha, underscoring the value of our disciplined positioning.

Sector Detractors

- Underweight **Industrials** detracted the most, as the benchmark had strong gains in the sector—especially, Bloom Energy.
- **Communication Services** weighted on results, driven by Magnite.
- Underweights in **Consumer Discretionary** and **Staples** also modestly detracted.

Year to Date Summary

- **Technology** remains the largest contributor to outperformance, driven by strong stock selection.
- The few areas of drag, **Industrials**, **Materials**, and **Financials**, were outweighed by positive selection in all other sectors.
- Conviction in technology innovation and health care advancement remains a cornerstone of the portfolio, positioning us to continue capturing opportunity in dynamic markets.

Weights

As is generally the case, our largest overweight is Information Technology. Our largest underweight is in Financials. Performance has added to 2% to our Technology weighting, while Communications Services is down by 50 bps and Financials down by 70 bps. All other sectors are relatively unchanged. Since the end of the year, Health Care is down 5% and Technology and Industrials are both up by 5%. Financials, Communication Services, Energy and Consumer Staples are all down by 1%.

LifeCycle diversification continues to distinguish GIM portfolios by broadening the opportunity set, creating diversified sources of alpha, and mitigating overall portfolio risk. Within this framework, the Special Situation and Pioneer segments serve as key areas where fundamental research can meaningfully enhance investment returns. At quarter-end, the portfolio maintained a well-balanced composition. Notably, during the third quarter and year-to-date period, Special Situation and Pioneer stocks have significantly outperformed Core Growth holdings, underscoring the value of this diversified approach.

Themes

Artificial Intelligence remained the dominant driver of technology outperformance in Q3, with capital investments accelerating across hyperscalers and emerging “neocloud” providers. OpenAI’s Project Stargate exemplified the scale of commitment, with hundreds of billions earmarked for next-generation data centers through partnerships with Nvidia, Oracle, CoreWeave, and others. Our portfolio is directly positioned with the goal of benefitting from this wave of infrastructure spending.

In AI connectivity, holdings such as Credo Technology, Semtech, and Tower Semiconductor supply the copper and optical connections enabling large GPU clusters. In memory & storage, companies like Nova Measuring, Onto Innovation, Pure Storage, Rambus, and Veeco Instruments are advancing DRAM and NAND technology to



meet the speed and density demands of scaled AI inference. Beyond technology, infrastructure names such as Ameresco, Comfort Systems, Centrus Energy, Cogent Communications, Gates Industrial, and CECO Environmental stand to benefit from power, cooling, and connectivity upgrades critical to sustaining data center buildouts.

Software, by contrast, was a headwind in the quarter. Productivity gains from AI adoption pressured traditional seat-based licensing models, while AI-assisted coding shifted the build-vs.-buy dynamic. At the same time, heavy AI-related investment weighed on vendor margins. These forces, coupled with macroeconomic headwinds, pressured holdings such as Confluent, Descartes Systems, SPS Commerce, and Vertex. While near-term fundamentals remain challenging, we believe AI-enabled workflows and evolving adoption curves could ultimately provide a catalyst for renewed software growth.

Health Care, and particularly biotechnology, re-emerged as a leading theme this past quarter after a rocky start to 2025. The biotechnology industry was the top performer in the Russell 2000 Growth Index. 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. Concerns ranged from FDA leadership changes and drug-pricing initiatives to reduced funding for early-stage research.

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. This was reflected in timely FDA approvals for Pioneer holdings Lenz Therapeutics and Insmed during the September quarter, which fueled continued strong stock performance.

M&A has further bolstered sentiment. Healthy deal activity in 2025 included announced acquisitions of Pioneer holdings Intra-Cellular Therapies, Blueprint Medicines, and Merus, reinforcing confidence in the value and innovation pipeline across biotech.

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.

Macro and Outlook

The U.S. economy remained resilient in Q3, supported by steady consumer spending, easing input costs from a crude oil sell-off, and renewed business investment. Real GDP grew at a 3.8% annualized pace in 2Q25, underscoring the durability of expansion despite policy uncertainty. Second quarter corporate earnings broadly exceeded forecasts, supported by robust demand and resilient margins.

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.

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Small Cap Growth Composite Trailing Period Returns 3Q25 - Annualized

	3Q25	YTD	1-Yr	5-Yr	10 Yr
GIM SC Core Growth Composite – Net	12.5%	17.9%	17.0%	5.5%	13.8%
Russell 2000 Growth Index	12.2%	11.7%	13.6%	8.4%	9.9%

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