



## SMID SELECT

### Portfolio Comments

December 31, 2025

#### Distinguishing Features

GIM builds the [SMID Select](#) portfolio from the bottom-up; sector weightings are secondary to stock selection. At quarter-end, the SMID Select portfolio continues to be overweight Information Technology, Industrials, Communication Services, and Consumer Staples versus the Russell 2500 Growth benchmark. The portfolio is underweight all other sectors. We have no exposure to Utilities, Real Estate, Energy or Materials.

#### Market Environment

Fourth-quarter performance was more measured as small/mid-cap equities navigated an increasingly bifurcated market. Leadership narrowed as investors became more valuation-sensitive following the year-to-date rally, favoring companies with visible earnings leverage and near-term catalysts, while a sharp rally in Health Care drove much of the market’s return. Our relative results reflected disciplined positioning in businesses executing to plan, particularly within Health Care.

For the full year, equity markets delivered solid, but selective, gains, defying recession expectations. While growth moderated from earlier-cycle levels, resilient consumer spending, easing inflation, and improving financial conditions, supported by lower interest rates and a less restrictive regulatory backdrop, helped sustain expansion. This also helped the IPO market and M&A activity to accelerate. Dispersion remained elevated throughout the year, and results consistently favored companies with strong execution, balance-sheet discipline, and credible long-term growth trajectories.

#### Performance & Attribution

The SMID Select strategy delivered strong results in 2025, returning 22.5% and outperforming the Russell 2500 Growth Index’s 10.3% gain. Performance in the fourth quarter was more challenging, as several top holdings experienced heightened volatility that we believe was disconnected from underlying fundamentals. The strategy declined -7.5% in Q4 versus a 0.3% gain for the Index.

From a LifeCycle perspective, Core Growth companies contributed positively during the quarter, however, Special Situation and Pioneers detracted. For the full year, Core Growth was the strongest contributor, with Pioneers and Special Situations also contributing nicely.

TOP CONTRIBUTORS	
4Q25 Top Contributors	2025 Top Contributors
1. <b>Exact Sciences</b> (Health Care, Core Growth)	1. <b>Porch Group</b> (Info. Technology, Pioneer)
2. <b>Carpenter Technology</b> (Industrials, Core Growth)	2. <b>Carpenter Technology</b> (Industrials, Core Growth)
3. <b>FTAI Aviation Ltd.</b> (Industrials, Core Growth)	3. <b>FTAI Aviation Ltd.</b> (Industrials, Core Growth)
4. <b>SI-BONE, Inc.</b> (Health Care, Pioneer)	4. <b>Comfort Systems</b> (Industrials, Core Growth)
5. <b>Nextpower Inc.</b> (Industrials, Core Growth)	5. <b>Exact Sciences</b> (Health Care, Core Growth)



TOP DETRACTORS	
4Q25 Top Detractors	2025 Top Detractors
1. <b>Porch Group</b> (Info. Technology, Pioneer)	1. <b>SunOpta Inc.</b> (Consumer Staples, Core Growth)
2. <b>Magnite, Inc.</b> (Comm. Svs., Core Growth)	2. <b>Shift4 Payments.</b> (Financials, Core Growth)
3. <b>Digital Turbine, Inc.</b> (Info. Tech., Special Situation)	3. <b>Sweetgreen, Inc.</b> (Consumer Disc, Core Growth)
4. <b>SunOpta Inc.</b> (Consumer Staples, Core Growth)	4. <b>Vivid Seats</b> (Comm. Svs., Special Situation)
5. <b>e.l.f. Beauty</b> (Consumer Staples, Core Growth)	5. <b>e.l.f. Beauty</b> (Consumer Staples, Core Growth)

### Positioning

Several holdings produced notable positive contributions during the quarter. Carpenter Technology rose 29%, supported by robust aerospace and defense demand and continued margin expansion. Exact Sciences gained 85% following the announcement that Abbott Laboratories will acquire the company. These outcomes underscore the impact of company-specific catalysts within the portfolio.

Conversely, a number of our highest-conviction holdings came under pressure. Digital Turbine exceeded third-quarter revenue expectations by 10%, with the shares initially rallying before retracing to year-end lows. Magnite also reported a solid quarter but declined 25% after citing a temporary, one-quarter competitive disruption that we view as immaterial. Both companies enter 2026 at depressed valuations, trading below 10x our 2026 EBITDA estimates, at a time when regulatory actions against Google may create meaningful tailwinds for app distribution and digital advertising.

Porch experienced similar volatility despite an exceptional operational year. The stock finished 2025 up 86%, after being up more than 200% at the end of the third quarter. Management raised 2025 EBITDA guidance to \$70 million, up from \$7 million in 2024, yet the shares declined more than 45% in Q4 following the final guidance increase. After meeting with management, we remain confident in the company's fundamentals. The focus on driving a tenfold increase in EBITDA over faster revenue growth preserves additional upside, with EBITDA potentially growing another ~50% in 2026.

Looking ahead, we enter 2026 with increased conviction. While several holdings experienced sharp short-term declines, their long-term fundamentals remain intact or improving. Combined with strong gains from our winners, we believe the portfolio is well positioned for continued attractive returns.

### Macro and Outlook

The U.S. economy remained resilient in 2025, with easing inflation supporting real incomes, allowing the Fed to begin easing by late summer. As earnings expectations stabilized, markets shifted from recession concerns to selectivity, favoring durable demand and operating leverage.

Heading into 2026, consensus expectations call for stronger earnings growth than in 2025, supported by anticipation of lower interest rates, improving capital markets activity, and continued investment in productivity-enhancing technologies. Healthcare enters the year with improving sentiment and a catalyst-rich opportunity set, while AI-driven investment broadens across industries, all benefiting from renewed visibility, capital formation, and strategic M&A, conditions that tend to favor innovative small- and mid-cap companies.



Small-cap growth companies are especially leveraged to this next phase, as liquidity improves and corporate activity accelerates. Importantly, small caps also enter 2026 from a position of relative undervaluation versus large caps; as Furey Research noted in its 4Q25 letter (January 5, 2026), small-cap relative valuation “continues to appear attractive even as it has moved higher from recent all-time relative lows.”

We remain focused on high-conviction businesses aligned with durable secular themes, AI infrastructure, industrial automation, advanced software platforms, and healthcare innovation, while remaining disciplined around balance-sheet strength, competitive advantage, and execution. In our view, 2026 should be a year where fundamentals and monetization matter more than narratives, and where improving liquidity supports both valuations and strategic flexibility. With small-cap valuations still depressed relative to large caps, we see a compelling setup for innovative-led companies to re-rate as growth broadens, creating an opportunity for our active small cap strategy.

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### SMID Select Composite Trailing Period Returns 4Q25 - Annualized

	4Q25	1-Yr.	5-Yr.	10-Yr.
<b>GIM SMID Select Composite – Net</b>	<b>-7.5%</b>	<b>22.5%</b>	<b>-1.7%</b>	<b>15.4%</b>
Russell 2500 Growth Index	0.3%	10.3%	3.0%	10.6%

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, 2024. 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 fund 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. The Small/Mid Cap Select Composite has had a performance examination for the periods March 31, 2015 through December 31, 2024. The verification and performance examination reports are available upon request. GIM is an independent, SEC-registered investment firm that oversees small and mid-cap equity portfolios for large institutions and wealthy individuals. The Small/Mid Cap Select product utilizes fundamental, bottom-up research and analysis to invest in the stocks of companies in the small to mid-cap sector of the market that have the ability to sustain growth through market disruption. The Small/Mid Cap Select is a concentrated SMID-cap portfolio typically containing 45-50 holdings. The benchmark for the Small/Mid Cap Select product is the Russell 2500 Growth. The composite was created in September 2016 and the inception date is March 31, 2015 and 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 SMID 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. 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 gross of fees 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 gross of investment management fees, which when included, reduce investment returns. The standard management fee applicable is applied to all accounts to calculate the net return. The standard fee for accounts managed in the Small/Mid 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 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.