



SMALL CAP CORE GROWTH

Portfolio Comments

December 31, 2025

Key Takeaways

4Q 2025 Performance:	<u>Granahan SC Core Growth: +3.0%</u>	Russell 2000 Growth: +1.2%
2025 Performance:	<u>Granahan SC Core Growth: +21.4%</u>	Russell 2000 Growth: +13.0%
Top Contributors:	Exact Sciences, Carpenter Tech., Lumentum Holdings, Tower Semiconductor, Revolution Medicines	
Bottom Detractors:	Porch Group, LENZ Therapeutics, Magnite, ODDITY, Digital Turbine	
Key Themes:	Healthcare/Biopharma rebound, M&A activity, AI expansion	

Highlights

- **Healthcare re-emerged as a market leader in 2025**, nearly doubling the Russell 2000 Growth Index's return and accounting for more than 100% of index performance in Q4.
- **Portfolio positioning mattered**, and our overweight to healthcare drove meaningful relative performance as biopharma and life sciences rebounded following multi-year underperformance.
- **M&A activity accelerated within the portfolio, with 12 holdings acquired in 2025 versus 6 in 2024**, signaling renewed strategic capital deployment.
- **Heading into 2026**, our emphasis is on owning resilient companies that can compound growth through a range of market environments. As always, we prioritize businesses where fundamentals are strengthening and management teams are executing well, while remaining deliberate about balancing risk as conditions evolve. Our goal is to stay positioned for durable results over time.

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 continued expansion. The Russell 2000 Growth Index rose 13.0% while the Small Cap Core Growth portfolio outperformed materially, returning 21.4%, driven by stock selection and exposure to companies aligned with durable secular growth themes. Dispersion remained elevated throughout the year, and results consistently favored businesses with strong execution, balance-sheet discipline, and attractive long-term growth outlooks.

Fourth Quarter 2025

Fourth-quarter performance was more measured as small-cap equities navigated an increasingly bifurcated environment. The Russell 2000 Growth Index was up 1.2%, while Granahan returned 3.0%, generating 179 bps of outperformance. Market leadership narrowed as investors became more valuation-sensitive following the year-to-date rally, rewarding companies with visible earnings leverage and near-term catalysts, while a sharp healthcare rally drove the overall return. Our relative results reflected disciplined positioning in businesses executing to plan, particularly in the Healthcare sector.



Top Contributors

Exact Sciences (Healthcare, Core Growth)	EXAS was acquired by Abbott Laboratories at a meaningful premium.
Carpenter Technology (Industrials, Core Growth)	CRS delivered record profitability supported by robust aerospace demand and pricing strength within Specialty Alloys.
Lumentum Holdings (Technology, Pioneer)	LITE continued to benefit from AI-driven interconnect demand.
Tower Semiconductor (Technology, Core Growth)	TSEM benefited from demand for next-generation silicon photonics wafers used in AI interconnect.
Revolution Medicines (Healthcare, Pioneer)	Revolution Medicines continued to report strong data for its cancer drug candidates, supportive of blockbuster sales potential. We've trimmed the stock modestly on strength but maintain a solid position.

Bottom Detractors

Porch Group (Technology, Pioneer)	PRCH experienced significant volatility despite strong execution. We added to our position given its attractive expected return profile.
LENZ Therapeutics (Healthcare, Pioneer)	LENZ declined on concerns around initial commercial update, which we believe are overstated.
Magnite (Communication Services, Core Growth)	MGNI reported solid results but sold off on near-term issues we view as temporary.
ODDITY Tech. (Consumer, Core Growth)	ODD declined despite better-than-expected results amid discretionary demand concerns following Methodiq launch; we believe the current depressed valuation overcompensates for execution risk.
Digital Turbine (Technology, Special Situation)	APPS exceeded third-quarter revenue expectations by 10%, with the shares initially rallying before retracing to year-end lows. We find the current valuation attractive.

Full-Year 2025

For the full year, four of the top five contributors came from the Core Growth Lifecycle segment, with **Porch Group** (Pioneer), the portfolio's best performer. Other top contributors **included Exact Sciences, Carpenter Technology, Comfort Systems** (an HVAC provider to data centers) and **FTAI Aviation**. Detractors included **SPS Commerce** and **SunOpta** (Core Growth), **Bloom Energy** and **WillScot Holdings** (Special Situations), and **Sweetgreen** (Pioneer). We exited Sweetgreen, SPS Commerce, and Bloom Energy, and trimmed WillScot and SunOpta.

Attribution

4Q Sector Contributors/Detractors

- Overweight **Healthcare** was the largest contributor for the quarter, as portfolio holdings materially outperformed benchmark constituents.
- Equal-weight **Industrials** also contributed meaningfully along with underweight **Financials**.



- These gains were partially offset by weaker performance in **Consumer Staples, Information Technology, and Communication Services**.
- Allocation effects were modest, underscoring the company-specific nature of results.

2025 Summary

- Outperformance was driven overwhelmingly by security selection, with **Healthcare and Information Technology** the primary contributors while **Communication Services** and **Industrials** slightly detracted from performance.
- Allocation effects were essentially neutral, reinforcing that 2025 results were generated through bottom-up stock selection rather than sector positioning.

Weights

Quarter-over-quarter, Healthcare increased by 5% while Technology declined by 4%; Industrials and Materials each rose 1%. Versus the benchmark, we remain overweight Healthcare, Technology, and Industrials, and underweight Financials, Energy, Real Estate, and Materials. We trimmed Core Growth winners and added to Pioneer and Special Situations for both the quarter and the year. Year-over-year, Industrials, Technology, and Energy increased, while Financials, Consumer Staples, Consumer Discretionary, and Communication Services declined.

Themes

After nearly three years of sustained underperformance, healthcare staged a decisive reversal in 2025, closing much of its performance gap versus the broader market. The sector delivered outsized gains, nearly doubling the Russell 2000 Growth Index's return, with momentum accelerating into the fourth quarter as market leadership narrowed. During Q4, healthcare accounted for more than 100% of the Russell 2000 Growth's total return as other sectors, in aggregate, detracted. Biopharma extended its strong recovery, turning what had been a headwind for many managers into a meaningful tailwind for the Core Growth portfolio, where we maintained an overweight allocation based on an unusually attractive, catalyst-rich opportunity set following a multi-year valuation reset.

A key inflection point for sentiment was the September 30, 2025 Trump/Pfizer "Most Favored Nation" agreement, which we view as a clearing event that reduced regulatory uncertainty, narrowed valuation discounts, and reopened the door for M&A and capital deployment across small-cap healthcare.

The Pharmaceuticals, Biotechnology & Life Sciences segment was the primary driver of both healthcare's gains and the portfolio's relative performance, supported by a more constructive regulatory tone, improving visibility into clinical pathways, and renewed strategic activity. Biopharma and Life Sciences M&A more than doubled sequentially, including Genmab's acquisition of Merus and Abbott's acquisition of Exact Sciences, both Core Growth holdings, underscoring the return of capital to innovation-driven platforms. Entering 2026, we remain focused on healthcare businesses with durable end markets, improving fundamentals, and clear paths to cash-flow generation. Holdings such as Alignment Healthcare, SI-BONE, and Repligen reflect this discipline, while recent FDA approvals at BridgeBio Pharma, Syndax Pharmaceuticals, and Cytokinetics position those companies for multi-year growth. While we remain constructive on the sector's long-term opportunity, we are mindful that policy and regulatory tailwinds can shift quickly and continue to actively manage exposures in a sector marked by both opportunity and dispersion.



We continue to participate meaningfully in the expansion of Artificial Intelligence with targeted exposure across multiple layers of the value chain that include compute and memory enablement, data-center connectivity and infrastructure, and AI-enabled software platforms. Within semiconductors and hardware, most of our holdings are leveraged to rising demand for AI compute, high-bandwidth memory, advanced packaging, and manufacturing intensity. In infrastructure and connectivity, several positions are positioned to benefit as AI clusters drive increasingly power-dense networks and continued data-center buildouts. Finally, in software many of our holdings are embedding AI to enhance automation, security, analytics, and workflow efficiency for enterprise customers. Collectively, these investments reflect a disciplined AI strategy focused on durable competitive advantages and tangible monetization with an emphasis on companies with clear revenue drivers and operating leverage as adoption broadens beyond hyperscalers into the broader economy.

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. We are already seeing this dynamic in practice: our portfolio experienced 12 buyouts in 2025 versus 6 the prior year, and IPO activity is accelerating, providing additional investment opportunities and pathways to liquidity. 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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Small Cap Growth Composite Trailing Period Returns 4Q25 - Annualized

	4Q25	1-Yr	5-Yr	10 Yr
GIM SC Core Growth Composite – Net	3.0%	21.4%	-0.4%	13.7%
Russell 2000 Growth Index	1.2%	13.0%	3.2%	9.6%

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