



## SMALL CAP DISCOVERIES

### Portfolio Comments

March 31, 2026

#### Distinguishing Features

GIM builds the [Small Cap Discoveries](#) portfolio from the bottom-up; sector weightings are secondary to stock selection. In Q1, the Discoveries portfolio was overweight versus the Russell 2000 Growth benchmark in Health Care, Basic Materials, Utilities, Consumer Staples, and Telecommunications. The portfolio is underweight all other sectors. We continue to have no exposure in Real Estate.

#### Market Environment

First-quarter performance reflected a more challenging environment for small-cap growth equities as macro uncertainty increased and risk appetite became more selective. The escalation of the Iran conflict contributed to higher energy prices, renewed inflation concerns, and a more cautious view on the interest-rate outlook, creating a less forgiving backdrop for small-cap growth stocks. Within this environment, absolute results were pressured primarily by weakness in sectors like technology and healthcare that concentrate in longer-duration stocks.

#### Themes

Early in 2026, market leadership began to broaden beyond a narrow set of mega-cap winners, and small-cap growth outperformed large caps on a relative basis. Dispersion remains elevated, however, and investors continued to reward businesses with visible earnings power, balance-sheet discipline, and identifiable catalysts. Portfolio companies: RBC Bearings, Materion Corporation and BWX Technologies are examples. In our view, this is a constructive shift that favors bottom-up stock selection and reinforces our focus on resilient companies where fundamentals are improving, and management teams are executing well.

In Healthcare the broad-based rebound that defined 2025 has transitioned into a more selective environment. While the sector continues to benefit from innovation, M&A activity, and improving regulatory clarity, macro uncertainty led investors to shy away from longer term growth companies in favor of nearer-term earnings visibility. We remain focused on companies with differentiated pipelines and strong balance sheets, while actively managing risk in a sector that remains volatile. We believe Alignment Healthcare, HealthEquity and Repligen are examples of promising stocks with strong competitive moats with differentiated technologies and strong secular tailwinds.

As the market places greater weight on nearer-term free cash flow, balance-sheet strength, and evidence of durable competitive positioning, companies perceived as more easily disrupted by AI may face sharper valuation pressure even when near-term operating performance appears intact. This has deeply affected the valuations of software companies where the average valuation is now very close to that of the Global Financial Crisis in 2008. This environment further reinforces the importance of disciplined stock selection and a focus on business models with mission-critical products, embedded customer workflows, and a clear path toward self-funded growth.

#### Performance Discussion

For the first quarter of 2026, the Granahan Small Cap Discoveries strategy returned -2.6%, slightly outperforming the Russell 2000 Growth Index return of -2.8% and significantly outperforming the



portfolio’s secondary benchmark, Russell Microcap Growth, which had a return of -4.3%. Stock selection in Information Technology was a positive contributor for the quarter, while stock selection in Health Care slightly detracted from performance. With regards to Life Cycles this quarter, Special Situation and Pioneer outperformed the benchmark while Core Growth names underperformed the benchmark.

1Q26 Top Contributors	1Q26 Top Detractors
<ol style="list-style-type: none"> <li>1. <b>Universal Technical Inst.</b> (Cons. Disc, Special Situation)</li> <li>2. <b>Transcat, Inc.</b> (Industrials, Core Growth)</li> <li>3. <b>RBC Bearings, Inc.</b> (Industrials, Core Growth)</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Repligen Corp.</b> (Health Care., Core Growth)</li> <li>2. <b>Sweetgreen, Inc.</b> (Consumer Disc., Pioneer)</li> <li>3. <b>BioLife Solutions</b> (Health Care, Core Growth)</li> </ol>

#### Top Contributors in Q1:

- **Universal Technical Institute (UTI)** was a top contributor during the quarter, with shares rising more than 50% in the quarter as investors responded positively to continued enrollment growth, solid execution, and confidence in the company’s long-term expansion opportunity. UTI operates a growing workforce education platform focused on transportation, skilled trades, and healthcare training, and recent results reinforced the view that the company is successfully scaling. The stock’s strength reflected improving fundamentals, a credible path to sustained revenue and earnings growth, and increasing appreciation for the durability of demand across its end markets.
- **Transcat (TRNS)** was a strong performer during the quarter as investors responded favorably to the company’s resilient calibration-services model, continued acquisition execution, and steady demand from regulated end markets. Transcat provides accredited calibration, inspection, repair, and related laboratory services, alongside the distribution of professional test and measurement equipment, serving customers across life sciences, aerospace and defense, energy, and industrial markets. We believe the stock benefited from growing confidence in the durability of its service-led growth profile, supported by double-digit revenue and gross profit growth in fiscal 1Q26, margin-accretive M&A, and the company’s positioning as a scaled consolidator in a niche, compliance-driven market.
- **RBC Bearings (RBC)** was a top contributor during the quarter as investors increasingly recognized the company’s attractive positioning against several durable secular tailwinds, including ongoing aerospace recovery, defense demand, and broader industrial content growth. Sentiment was also supported by confidence that these end-market trends should translate into continued revenue momentum and further profitability improvement. RBC is likely to benefit from higher-margin aerospace mix, operating leverage, and the realization of integration and efficiency opportunities. Taken together, these factors have reinforced our view that RBC can sustain strong earnings growth and margin expansion beyond the near term.

#### Top Detractors in Q1:

- **Repligen (RGEN)** was a weaker performer during the quarter as investor sentiment remained pressured by continued caution around the pace of normalization across life sciences spending. In the near term, customers remain focused on inventory digestion and more measured capital deployment, which has weighed on expectations for a sharper rebound. Despite this, we continue



to view Repligen favorably given its strong positioning in biologics manufacturing, differentiated product portfolio, and leverage to an improvement in bioprocessing activity. As industry conditions normalize, we believe the company remains well positioned to deliver an acceleration in growth and improved profitability.

- **Sweetgreen (SG)** underperformed during the quarter as investors weighed a more challenging consumer environment, questions around traffic trends, and the time required for the company's operational initiatives to translate into improved financial results. While these pressures have weighed on near-term sentiment, we remain constructive on the longer-term opportunity given management's focus on driving restaurant-level efficiency, improving margins, and enhancing throughput. We also believe continued refinement of store operations, menu innovation, and benefits from technology and automation initiatives can help support better execution over time. As these changes take hold, we see potential for improving profitability and a more durable growth profile.
- **BioLife Solutions (BLFS)** was a weak performer during the quarter as investors reacted to a softer near-term growth outlook and continued uncertainty around the timing of demand improvement across cell and gene therapy markets. Sentiment has also remained sensitive to variability in customer activity and capital spending, particularly in an environment where emerging therapy funding and program timing can be uneven. We remain optimistic about the company's long-term opportunity given its important role in biopreservation and cell processing workflows. As underlying therapy activity expands and customer demand becomes more consistent, we believe BioLife is positioned to benefit from improving growth and stronger operating performance.

### Macro and Outlook

The macroeconomic backdrop remains relatively stable, although risk factors persist. While economic growth remains resilient, supported by consumer spending and a stable job market, the war in Iran has led to increased market volatility and investor caution. Inflation remains a risk if higher energy prices persist, and chances for a Fed rate cut this year have waned. On the positive side, capital markets activity has picked up, with an increase in M&A and a gradual reopening of the IPO market, which could provide an important tailwind for small-cap equities.

After two years of modest earnings contraction, small-cap fundamentals are beginning to improve. Russell 2000 earnings returned to growth in 2025, and expectations for 2026 are strengthening, with the potential to outpace large caps if conditions remain supportive. While forecasts may prove optimistic, the more important shift is the broadening of earnings growth, which tends to reduce market concentration and create a more favorable environment for stock selection.

While higher oil prices and inflation may create a less forgiving near-term backdrop, they do not change the broader opportunity set in small caps, particularly when valuations are attractive. If anything, they reinforce our focus on companies with pricing power, strong balance sheets, improving cash flow, and identifiable catalysts that can perform through a more volatile environment. Our Life Cycle-diversified, bottom-up stock selection process is designed to uncover these unique growth opportunities within the small cap universe.



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*It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.*

#### Small Cap Discoveries Composite Trailing Period Returns 1Q26 - Annualized

	1Q26	1-Yr	5-Yr	10-Yr
<b>Small Cap Discoveries Composite – Net</b>	<b>-2.6%</b>	<b>43.2%</b>	<b>-8.0%</b>	<b>9.3%</b>
Russell 2000 Growth Index	-2.8%	23.6%	1.6%	9.8%

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