

**MICROCAP GROWTH****Portfolio Comments****March 31, 2026****Highlights**

- **Micro-cap stocks faced a more selective backdrop in 1Q26:** Early signs of improving breadth gave way to renewed macro uncertainty, as higher oil prices and inflation concerns created a more difficult environment for smaller, longer-duration growth stocks.
- **The portfolio navigated a narrow market environment:** With benchmark returns heavily concentrated in a small number of stocks, relative performance benefited from effective bottom-up stock selection.
- **Stock selection was strongest in Consumer, Materials, and Technology, while Healthcare lagged:** These sectors contributed most to relative results, while Healthcare was the primary area of weakness during the quarter.
- **Core Growth and Special Situation outperformed Pioneers:** Investors favored holdings with greater near-term earnings visibility, and we reduced overall portfolio risk accordingly during the quarter.

Market Environment

First-quarter performance reflected a more challenging environment for microcap equities as economic 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 across our Pioneer holdings. While outperformance was due to strong stock selection in consumer, materials, and technology sectors.

Themes

Early in 2026, market leadership began to broaden beyond a narrow set of mega-cap winners, and small-cap stocks 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. 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 favor nearer-term earnings visibility, pressuring longer-duration micro-cap stocks and contributing to relative underperformance.

Companies perceived as more easily disrupted by AI faced sharper valuation pressure during the quarter even when near-term operating performance appeared intact. This has affected the valuations of software companies where the average valuation is now very close to that of the Global Financial Crisis in 2008. In our view, 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. Stock selection along with portfolio positioning helped drive outperformance from this sector. Our software holdings are well below the benchmark weight with most of our technology holdings concentrated in the hardware and semiconductor industries.

Distinguishing Features

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

Performance Discussion

For the first quarter of 2026, the Granahan Microcap Growth strategy returned -3.2% outperforming the Russell Microcap Growth Index return of -4.3%. Stock selection in Consumer Discretionary was a positive contributor for the quarter, while stock selection in Health Care detracted from performance. With regards to Life Cycles this quarter, Core Growth and Special Situation companies contributed positively while Pioneer companies detracted from performance.

1Q26 Top Contributors	1Q26 Top Detractors
<ol style="list-style-type: none"> 1. Universal Technical Inst. (Cons. Disc, Special Situation) 2. Transcat, Inc. (Industrials, Core Growth) 3. ADTRAN (Info. Tech., Special Situation) 	<ol style="list-style-type: none"> 1. Beta Bionics (Health Care., Pioneer) 2. Owlet, Inc. (Health Care, Special Situation) 3. SI-BONE, Inc. (Health Care, Pioneer)

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.



- **Adtran (ADTN)** was a top contributor during the quarter as investors responded to improving networking fundamentals and rising AI-driven bandwidth demand. The company provides fiber access, optical transport, and network virtualization solutions, and the stock benefited from growing confidence in a broader recovery in network infrastructure spending.

Top Detractors in Q1:

- **SI_BONE (SIBN)** - We continue to view SI-BONE as a top holding given its differentiated leadership in sacropevic disorders, durable double-digit growth profile, and multiple underappreciated catalysts that we believe can support both accelerating revenue and improving profitability over time. Despite recent share price weakness, we continue to believe the company remains well positioned to benefit from new product launches, expanding reimbursement support, increased utilization within its existing surgeon base, and the Smith & Nephew partnership, all of which provide a credible path back toward stronger top-line growth. In our view, the market is underestimating both the quality of the franchise and the earnings power of the model as these initiatives mature, leaving the shares attractively valued relative to the company's longer-term growth and margin opportunity.
- **Owlet (OWLT)** - Despite pressure following weaker-than-expected 1Q26 guidance, we continue to hold our position as we believe the selloff has not materially changed the company's longer-term fundamental outlook. Owlet remains differentiated as the only FDA-cleared infant wearable in its category and continues to benefit from several growth drivers, including subscription expansion, broader reimbursement coverage, international adoption, and future telehealth and product feature enhancements. While execution risks remain, particularly around tariffs, subscription monetization, and the pace of newer initiatives, we believe the company's competitive position, simplified balance sheet, and multiple unmodeled catalysts support an attractive longer-term risk/reward.
- **Beta Bionics (BBNX)** - Despite a modest Q4 miss in new patient starts, we believe the sharp selloff reflected an overreaction rather than a deterioration in the underlying business. Fundamentals remain strong, with the company now scaled to roughly \$100 million in revenue, improving margin leverage, meaningful cash support on the balance sheet, and multiple product catalysts ahead. We used the weakness to add to the position, as the shares traded at an attractive valuation relative to the company's recurring revenue opportunity, durable growth outlook, and potential for multiple expansion as execution and new product launches progress.

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. 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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Microcap Growth Composite Trailing Period Returns 1Q26 - Annualized				
	<u>1Q26</u>	<u>1-Yr</u>	<u>5-Yr</u>	<u>Since Inception*</u>
Microcap Growth Composite – Net	8.7%	26.8%	-6.5%	0.6%
Russell Microcap Growth Index	2.1%	21.8%	2.8%	8.2%

Inception Date: 7/31/2020

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. 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.