



SMALL CAP SELECT

Portfolio Comments

March 31, 2026

Distinguishing Features

GIM builds the [Small Cap Select](#) portfolio from the bottom-up; sector weightings are secondary to stock selection. At quarter-end, the Small Cap Select portfolio continues to be overweight in Information Technology, Industrials, Communication Services, and Consumer Discretionary versus the Russell 2000 Growth benchmark. The portfolio is underweight the benchmark in all other sectors. We have no exposure to Utilities, Real Estate, Energy, or Consumer Staples.

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, relative results were pressured primarily by weakness across several Core Growth and Pioneer holdings, as investors favored near-term earnings visibility.

Performance & Attribution

For the first quarter, the Granahan Small Cap Select strategy returned -3.1%, slightly underperforming the -2.8% return of its Russell 2000 Growth benchmark.

From a LifeCycle perspective, Core Growth companies contributed positively while Special Situation and Pioneer companies detracted.

1Q26 Top Contributors	1Q26 Top Detractors
1. FTAI Aviation Ltd. (Industrials, Core Growth)	1. Digital Turbine (Info. Techn., Special Situation)
2. Modine Manufacturing (Industrials, Special Situation)	2. Owlet, Inc. (Health Care, Special Situation)
3. Carpenter Technology (Industrials, Core Growth)	3. Magnite, Inc. (Communication Svs., Core Growth)
4. SunOpta, Inc. (Consumer Staples, Core Growth)	4. Porch Group (Info. Technology, Pioneer)
5. Nextpower Inc. (Industrials, Core Growth)	5. SI-BONE, Inc. (Health Care, Pioneer)

Positioning

"Disruption" may be the defining word of the past year in investing. First came the tariff environment, which rattled supply chains and corporate outlooks alike. Then the AI buildout accelerated dramatically, bringing with it the promise of transformation across industries, and the threat of it. Now, a new conflict has emerged in the Middle East, layered on top of an ongoing war in Ukraine that shows no signs of resolution.

Against this backdrop, the first quarter unfolded much like several recent ones: a wide dispersion of returns, with meaningful winners and meaningful losers. Our top contributors were largely tied to the AI



theme, FTAI Aviation, Modine performed well. We also benefited from the acquisition of SunOpta, a portfolio holding that was bought out during the quarter by Refresco.

On the detractor side, the picture was more varied, though AI remained a common thread. Our digital advertising holdings, Magnite and Digital Turbine, each reported strong fourth-quarter results, yet both continued to experience significant valuation compression. While we can only speculate on the precise cause, we believe investor concern that AI could prove disruptive, and potentially destructive, to the digital advertising industry has played a meaningful role. Some market participants have gone so far as to suggest that the app ecosystem itself may become obsolete, which would represent a material headwind for Digital Turbine's revenue model. We view this scenario as highly unlikely but combined with macro uncertainty around advertising spend in a wartime environment, both stocks remained under pressure throughout the quarter.

Porch continued to lag as well. In our view, a significant part of this underperformance stems from a misclassification issue: certain market participants categorize Porch as a software company, even though its business is predominantly insurance-focused. As the software sector broadly underperformed during the quarter, Porch appears to have been caught in that same indiscriminate selling — an overhang we believe is fundamentally disconnected from the company's actual business.

Looking ahead, we are cautiously optimistic that the environment may shift toward one of reduced disruption, and, just as importantly, reduced speculative fear around disruption. Should that occur, we see a meaningful opportunity for valuation recovery across several of our core holdings, many of which have experienced significant compression over the past six months despite sound underlying fundamentals.

In the meantime, we continue to actively manage the portfolio with a disciplined focus on risk/reward. Where fundamentals are genuinely deteriorating, we are reducing exposure. Where our conviction in the long-term alpha opportunity is high and improving, we are leaning in.

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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Small Cap Select Composite Trailing Period Returns 1Q26 - Annualized

	1Q26	1-Yr.	5-Yr.	10-Yr.
GIM SC Select Composite – Net	-3.1%	41.5%	-5.7%	16.2%
Russell 2000 Growth Index	-2.8%	23.6%	1.6%	9.8%

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 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 Cap Select product utilizes fundamental, bottom-up research and analysis to invest in the stocks of companies in the small cap sector of the market that have the ability to sustain growth through market disruption. The Small Cap Select is a concentrate portfolio typically containing 45-50 holdings. The benchmark for the Small Cap Select product is the Russell 2000 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 small cap 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 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. The annual net of fee returns for 2015 and 2016 were previously calculated using actual account fees instead of the standard 1.00% annual fee and have been corrected as of 1/1/2020. Prior to making the correction, the 2015 Net of Fees Return was presented as 0.82%, and 2016, as 14.64%. 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.