

**SMALL CAP CORE GROWTH****Portfolio Comments****June 30, 2026****Key Takeaways**

2Q 2026 Performance:	<u>Granahan SC Core Growth: 46.7%</u>	Russell 2000 Growth: 25.7%
YTD 2026 Performance:	<u>Granahan SC Core Growth: 39.4%</u>	Russell 2000 Growth: 22.2%
Top Contributors:	Digital Turbine, Silicon Motion Technology, Porch Group, Materion, Onto Innovation	
Bottom Detractors:	Sportradar, Texas Capital Bancshares, FTAI Aviation, Descartes Systems Group, Figure Technology Solutions	
Key Themes:	Broadening market leadership and renewed recognition of small-cap growth; strong bottom-up stock selection; Special Situation re-ratings; broad participation across lifecycle categories.	

Highlights

- Market leadership broadened meaningfully, with small-cap growth stocks substantially outperforming the major large-cap indexes.
- Portfolio outperformance was driven primarily by stock selection. Improving operating results, company-specific catalysts, and the re-rating of overly discounted businesses were the principal drivers.
- Special Situations produced the strongest absolute lifecycle return, while Pioneers and Core Growth also generated strong gains, demonstrating broad participation across different types and stages of growth.

Second Quarter 2026

Equity markets rebounded sharply during the second quarter, overcoming geopolitical uncertainty, higher energy prices, inflation concerns, and valuation sensitivity that weighed on investor sentiment earlier in the year. The Granahan Small Cap Core Growth strategy returned 46.7%, meaningfully outperforming the Russell 2000 Growth Index, which gained 25.7% during the quarter. For the first half of 2026, the portfolio returned 39.4%, compared with 22.2% for the Russell 2000 Growth Index.

The magnitude of the quarter's gains should be viewed in context. Small-cap growth entered the period after an extended stretch of relative underperformance, subdued investor interest, and significant valuation compression. The second-quarter advance therefore represented both a recovery from depressed expectations and increasing recognition of improving company fundamentals. Although the absolute returns were unusually strong, we believe valuations across much of the asset class remain more reasonable than the recent performance alone might suggest.

Perhaps the most encouraging development during the quarter was that investors once again rewarded companies with improving earnings, stronger execution, identifiable catalysts, and differentiated competitive positions. This created a more favorable environment for our bottom-up process than the narrower, liquidity-driven markets of recent years.



Top Contributors

Digital Turbine (Information Technology, Special Situation) — <i>Trimmed</i>	Digital Turbine was the largest contributor as investors gained confidence in improving monetization, operating leverage, and cash-flow potential across its mobile advertising and digital-platform businesses. The stock had been a meaningful first-quarter detractor, but our research suggested underlying trends were improving, and we added during the earlier weakness. Following the substantial re-rating, we trimmed the position.
Silicon Motion Technology (Information Technology, Special Situation) — <i>Held</i>	Silicon Motion benefited from improving semiconductor fundamentals, normalizing customer inventories, and stronger expectations for storage-related demand. Its differentiated controller technology positions the company to benefit from both a cyclical recovery and longer-term growth in data and storage requirements. We maintained our position.
Porch Group (Information Technology, Pioneer) — <i>Held</i>	Porch appreciated as investors gained greater confidence in improving execution and the earnings potential of its insurance platform. The company was a first-quarter detractor, and we had added during the earlier weakness because we believed the valuation did not reflect the progress occurring within the business. We made no position changes during the quarter.
Materion (Materials, Core Growth) — <i>Trimmed</i>	Materion contributed as investors responded to its exposure to advanced materials, aerospace and defense, semiconductor manufacturing, advanced electronics, and electrification. We believe the company's specialized products and long qualification cycles create meaningful competitive barriers. We trimmed the position into strength while maintaining exposure.
Onto Innovation (Information Technology, Core Growth) — <i>Trimmed</i>	Onto Innovation was a top contributor during the quarter as investor confidence improved around the company's exposure to advanced semiconductor manufacturing, packaging, and AI-related demand. The stock benefited from stronger expectations for industry spending, continued execution, and recognition of Onto's differentiated position across process control and inspection markets. We trimmed the position into strength, while maintaining a constructive long-term view on the company's growth opportunities.

Bottom Detractors

Sportradar (Consumer Discretionary, Core Growth) — <i>Sold</i>	Sportradar reported solid underlying operating progress, however weaker reported earnings, restructuring costs, and ongoing investor concerns weighed on the shares. Given the persistent disconnect between business momentum and market recognition, we concluded that the prospective risk/reward had become less attractive and sold the position.
Texas Capital Bancshares (Financials, Core Growth) — <i>Added</i>	Texas Capital Bancshares advanced during the quarter but lagged the stronger return of the Russell 2000 Growth Index and other higher-return areas of the portfolio, making it a relative detractor despite the absence of any meaningful fundamental weakness. We increased the position as we continued to see progress in the company's multi-year transformation, including improved execution, a more attractive business mix, and the potential for stronger earnings growth and multiple expansion.



FTAI Aviation Ltd. (Industrials, Core Growth) — <i>Trimmed</i>	FTAI Aviation gained during the quarter but lagged the stronger return of the Russell 2000 Growth Index. The company continued to execute well given strong demand for aviation aftermarket services, engine modules, and related leasing opportunities. We trimmed the stock to manage position size and valuation discipline while maintaining a constructive long-term view on FTAI's differentiated business model and long-term earnings potential.
Descartes Systems Group (Information Technology, Core Growth) — <i>Added</i>	Descartes Systems Group declined modestly during the quarter; however, we believe the weakness does not reflect the company's durable competitive position, the strategic value of its logistics and supply-chain software network, or our positive long-term outlook for the business. We added to the position given Descartes' recurring revenue model, strong profitability, disciplined acquisition strategy, and ability to compound value through both organic growth and targeted M&A.
Figure Technology Solutions (Financials, Pioneer) — <i>Trimmed</i>	Figure declined after a short-seller report raised questions about the company's technology positioning and business model. Although reported operating performance remained strong, the resulting credibility and valuation overhang increased uncertainty. We modestly reduced the position while continuing to evaluate the issues raised against the company's underlying business progress.

Attribution

The strength of small-cap performance has led some investors to characterize the move as a “low-quality” rally driven by heavily shorted, unprofitable, or higher-beta companies. Those types of stocks did participate as risk appetite improved, but that characterization does not adequately explain the strategy's outperformance. Attribution was driven primarily by stock selection, not broad sector positioning or a deliberate shift toward more speculative exposures. Many of the strongest contributors were companies where positive earnings revisions, company-specific catalysts, and attractive valuations were not yet reflected in investor expectations.

Information Technology was the largest contributor, with strength across semiconductors, storage, connectivity, AI infrastructure, embedded intellectual property, and digital platforms. Digital Turbine and Silicon Motion were the two largest contributors, while Porch Group, Arteris, Onto Innovation, Veeco Instruments, and TTM Technologies also added meaningfully.

Materials and Industrials also contributed meaningfully despite slightly underweight positions. Materion benefited from demand across advanced materials, semiconductor manufacturing, aerospace and defense, and electrification while Industrials participated due to favorable trends tied to electrical infrastructure, data centers, reshoring, and defense spending. Health Care generated a strong positive absolute return but modestly lagged on a relative basis as several holdings await clinical, regulatory, or commercial catalysts. Merger activity accelerated during the quarter with acquisitions of Apogee Therapeutics, Nuvalent, and Soleno Therapeutics, reinforcing our constructive long-term outlook for innovative biotechnology companies. Underweight Consumer Discretionary and Staples added to the outperformance of the portfolio as well.

Weights

Portfolio activity during the quarter reflected both strong appreciation and active rebalancing to preserve an attractive prospective return profile. Information Technology remained the largest sector allocation and increased in part because of strong performance, while Health Care exposure remained significant given our



conviction in differentiated medical technology. Industrials and Materials continued to provide exposure to aerospace, grid investment, data centers, reshoring, electrification, and advanced manufacturing. Across our lifecycle diversification framework, allocations to Pioneer and Special Situations stocks have increased by 4 percentage points and 2 percentage points, respectively, while Core Growth has declined by 6 percentage points.

Themes

Resurgence of the IPO market

One notable development during the quarter was the continued reopening of the U.S. IPO market. Issuance activity improved meaningfully, reflecting stronger capital markets conditions and renewed investor willingness to fund innovative growth companies. Importantly, the current cycle appears more disciplined than the 2020–2021 period, when investor enthusiasm was often concentrated in less mature software, fintech, and biotechnology companies with limited visibility into profitability. Recent activity has been more heavily represented by companies tied to defense, space, advanced computing, power infrastructure, and industrial technology, all supported by durable secular tailwinds including AI infrastructure, electrification, reshoring, and national security spending. A healthier IPO market expands the opportunity set and provides additional evidence that innovation is occurring well beyond traditional software and internet models. Our prior participation in offerings such as York Space Systems, Forgent, and Cardinal Infrastructure reflects this broader direction of innovation and our focus on companies with differentiated technology, mission-critical applications, and more tangible paths to long-term value creation.

Broadening Market Leadership

The most important market development during the quarter was the broadening of equity leadership. For several years, returns had been concentrated among a relatively small group of large and mega-cap companies, leaving many smaller businesses overlooked despite improving fundamentals and attractive long-term opportunities. The Russell 2000 Growth Index materially outperformed the S&P 500 and NASDAQ Composite as investors recognized improving small-cap earnings, attractive relative valuations, stronger capital-markets activity, and secular-growth opportunities beyond the largest technology companies. This broadening is constructive for active management because a wider and more differentiated opportunity set increases the potential value of bottom-up stock selection.

AI Infrastructure and the Broader Technology Ecosystem

AI infrastructure remained an important source of opportunity, with investment extending beyond the largest semiconductor and cloud-computing companies. Rising computing intensity requires optical connectivity, high-speed networking, storage, memory controllers, semiconductor intellectual property, test and measurement, power management, thermal management, printed circuit boards, and data-center construction.

The portfolio benefited from several parts of this ecosystem, including Silicon Motion in storage controllers, Arteris in semiconductor intellectual property, Onto Innovation and Veeco in advanced semiconductor equipment, and TTM Technologies in complex printed circuit boards. We remain attentive to disruption risk elsewhere in Technology and favor mission-critical products, embedded workflows, and differentiated intellectual property.



Macro and Outlook

Macro concerns moderated during the quarter, allowing investors to refocus on company earnings and improving small-cap fundamentals. Even as valuations have increased for several of our recent winners, earnings expectations across the small-cap universe continue to improve, providing fundamental support for the asset class. However, the magnitude of the Q2 rally requires process discipline. Small-cap companies remain sensitive to interest rates, inflation, credit availability, and economic conditions. We have responded by trimming selected holdings, managing position sizes, and reinvesting capital toward opportunities with more attractive prospective returns.

In our view, improving small-cap earnings, a reopening capital markets environment, renewed IPO activity, and still-reasonable valuations have contributed to a more favorable backdrop for active small-cap growth investing than we have seen in recent years. While we remain disciplined in managing valuation risk, we continue to find opportunities through our bottom-up research process and remain constructive on the portfolio's long-term return potential.

Disclosure: The information provided in this commentary should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. All performance attribution is calculated using gross of fees returns and should be considered approximate. Past performance is not indicative of future results. Granahan Investment Management ("GIM") is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about GIM's investment advisory services can be found in its Form ADV Part 2, which is available upon request. Investing carries inherent risk.

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 Growth Composite Trailing Period Returns 2Q26 - Annualized

	2Q26	YTD	1-Yr	5-Yr	10 Yr
GIM SC Core Growth Composite – Net	46.7%	39.4%	61.5%	20.6%	17.4%
Russell 2000 Growth Index	25.7%	22.2%	38.7%	18.4%	12.0%

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 Core Growth Composite has had a performance examination for the periods December 31, 1998 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 Core Growth product utilizes fundamental, bottom-up research and analysis to invest in companies in the small cap sector of the market that exhibit high and/or accelerating earnings growth. Composite consists of time-weighted total returns for all accounts managed by GIM in the Small Cap Core Growth style. The benchmark for the Small Cap Core Growth product is the Russell 2000 Growth. The composite was created in May 2000 and the inception date is April 30, 1993 and is calculated by asset-weighting the performance of each account on a monthly basis. 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. Gross returns are total returns gross of investment management fees, which when included, reduce investment returns. 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. The standard fee for accounts managed in the Small Cap Core Growth style is payable quarterly in arrears and is calculated by applying the ANNUAL rate of 1.00% times the average the average value of the assets in an 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.