

**MICROCAP GROWTH****Portfolio Comments****June 30, 2026****Highlights**

- **Micro-cap growth stocks experienced a second-quarter resurgence:** The Russell Microcap Growth Index advanced 29.0% during the quarter as investor willingness to look further down the market-capitalization spectrum increased meaningfully from the more selective first-quarter environment.
- **The [Microcap Growth strategy](#) significantly outperformed:** The strategy returned 39.2% versus 29.0% for the Russell Microcap Growth Index, outperforming by over 10 percentage points. Relative performance was driven overwhelmingly by bottom-up stock selection.
- **Outperformance was achieved despite substantial benchmark concentration:** Just 25 of the benchmark's 659 constituents generated 58% of its total quarterly return while representing only 24% of index weight. The strategy overcame this structural headwind through broader, company-specific contributions across multiple sectors and investment theses.
- **Results were broad across the LifeCycle framework:** Pioneers, Special Situations, and Core Growth holdings each generated strong absolute returns above the benchmark.

Market Environment

The second quarter represented a sharp change in the market environment for micro-cap growth stocks. After several years in which returns were concentrated among a relatively small group of mega-cap technology companies, investors demonstrated a renewed willingness to look further down the market-capitalization spectrum. The Russell Microcap Growth Index advanced 29.0%, a notably strong quarterly return for the asset class.

The resurgence followed a prolonged period in which many smaller businesses continued to grow, introduced new products, and strengthened their competitive positions even as valuations declined. Investors had become less willing to accept longer-duration growth, limited near-term profitability associated with smaller companies. The second quarter did not eliminate those valuation gaps, but it demonstrated how quickly returns can change when expectations are depressed and fundamental progress becomes more visible.

The rebound reflected several overlapping developments. Investors became more willing to reward improving fundamentals, operational inflections, earnings revisions, and strategic catalysts. Capital-markets conditions also improved, with greater merger-and-acquisition activity and a gradual reopening of the new-issuance market. Enthusiasm surrounding artificial intelligence broadened beyond the largest semiconductor and cloud-computing companies to include smaller providers of enabling technologies.

Dispersion remained high, and performance varied significantly based on company-specific execution, balance-sheet strength, and the credibility of each company's path toward sustainable growth. This type of environment can favor patient, fundamental stock selection. We remain encouraged by the broader participation, but we do not believe it is prudent to extrapolate the quarter's outsized pace of return.



Themes

Overcoming Benchmark Concentration

Although market breadth improved, benchmark returns remained meaningfully influenced by a relatively small number of exceptionally strong companies. Just 25 of the benchmark's 659 constituents generated 57.7% of its total quarterly return despite representing only 23.6% of index weight. The remaining 634 stocks, or 96% of the benchmark's names and 76.4% of its weight, generated only 42.3% of the benchmark's return.

Despite that headwind, the portfolio outperformed through a broader collection of company-specific winners. The portfolio held only four of the benchmark's top twenty-five return contributors yet outperformed by more than ten percentage points. This suggests the strategy's results reflected broader stock selection rather than simple participation in the benchmark's strongest momentum names.

Stock Selection as the Primary Driver of Outperformance

Security selection contributed 12.1 percentage points to outperformance in the quarter. Positive selection was strongest in Materials, Industrials, Information Technology, and Financials.

Sector allocation detracted approximately 1.8 percentage points, primarily because the portfolio was meaningfully underweight Information Technology during an exceptionally strong quarter for the sector.

Our Information Technology underweight reflects a selective view of the opportunity set. A meaningful portion of the benchmark consists of speculative businesses whose financing needs, earnings visibility, or competitive durability do not meet our investment criteria. We have instead concentrated exposure in a smaller group of enabling-technology companies with proprietary intellectual property, embedded customer relationships, and clearer paths to sustainable earnings and cash flow.

Relative performance was not dependent on one narrow factor or theme. The quarter included contributions from high-growth Pioneers pursuing large markets, improving Special Situations where positive change led to meaningful earnings revisions, and Core Growth companies providing durable compounding potential.

AI Participation Through Differentiated Business Models

Artificial intelligence remained a major market theme, but the opportunity set broadened beyond the largest chip designers, hyperscale cloud providers, and highly visible infrastructure companies. Within the MicroCap portfolio, AI-related performance was concentrated in businesses that provide critical enabling technologies, including semiconductor intellectual property, embedded processing, connectivity, and specialized manufacturing equipment.

Arteris and CEVA illustrate this approach. Their technologies help customers design increasingly complex semiconductors and intelligent connected devices, allowing them to participate in the expansion of AI and edge computing through proprietary intellectual property and embedded customer relationships. Veeco similarly benefited from growing demand and investor recognition related to advanced manufacturing equipment used in AI-driven optical-interconnect applications.

We remain selective in evaluating AI-related opportunities. Our research focuses on whether a company provides mission-critical technology, possesses defensible intellectual property, is embedded in customer workflows, has adequate financial resources, and can translate industry growth into sustainable revenue, margins, and cash flow.



LifeCycle Diversification

The second quarter illustrated the diversification benefit the LifeCycle framework is designed to provide. During the first quarter, investors favored businesses with greater near-term earnings visibility. Core Growth and Special Situation holdings provided greater resilience, while Pioneers faced a more difficult environment.

Leadership broadened materially in the second quarter. Pioneers became the strongest LifeCycle category as investors demonstrated greater willingness to recognize earlier-stage companies addressing large markets. Pioneers averaged 39.0% of the portfolio and returned 42.0%. Special Situations averaged 34.1% and returned 40.6%, while Core Growth holdings averaged 24.6% and returned 33.4%. All three categories outperformed the benchmark.

The breadth of these returns is important because it indicates that the portfolio was not dependent on one type of company or one source of return this quarter. The LifeCycle framework seeks diversified alpha from innovation, operational improvement, durable compounding, and broader investor recognition.

Growth Before Recognition

The strategy's objective is to find growth before it becomes widely recognized. The concept applies across the LifeCycle framework. Special Situations may be overlooked because of temporary operating challenges or misunderstood investments; Pioneers may remain underrecognized because their markets are early in development; and Core Growth companies may be mispriced when durable earnings power is not fully appreciated.

Several of the quarter's strongest contributors fit this pattern. Mayville Engineering and Veeco benefited as investors recognized improving operating conditions and earnings power. Arteris and CEVA gained as their strategic relevance to next-generation semiconductor design became more visible. Materion advanced as investors reassessed the company's exposure to attractive semiconductor, defense, and specialty-materials markets.

Distinguishing Features

GIM builds the [MicroCap Growth portfolio](#) from the bottom up, with sector weights emerging from security selection rather than top-down allocation decisions. The smaller end of small-cap growth is often less researched, less institutionally owned, and less fully understood than the large-cap market, creating both greater volatility and a fertile environment for differentiated fundamental research.

The portfolio's high active share and LifeCycle diversification are intentional. The strategy is designed to look different from the benchmark and to participate across multiple stages of value creation.

During the quarter, the portfolio was overweight Health Care, Consumer Discretionary, Materials, Energy, and Communication Services, and underweight Information Technology, Industrials, Financials, and Consumer Staples. It continued to have no meaningful exposure to Utilities or Real Estate.

Performance Discussion

For the second quarter of 2026, the Granahan MicroCap Growth strategy returned 39.2%, compared with 29.0% for the Russell Microcap Growth Index. Security selection contributed approximately 12.1



percentage points of relative return, more than offsetting an allocation headwind of approximately 1.8 percentage points.

Stock selection was strongest in Materials, Industrials, Information Technology, and Financials. Communication Services was the most significant area of relative weakness, detracting approximately 91 basis points. Health Care was approximately neutral on a relative basis despite generating a substantial positive absolute contribution.

Top Contributors

Arteris, Inc. (Information Technology, Pioneer)	Arteris was the portfolio's leading contributor as investors increasingly recognized the company's role as critical infrastructure for the design of next-generation semiconductors. Multiple new design-win announcements reinforced the expanding relevance of its network-on-chip intellectual property across automotive systems, AI accelerators, and advanced mobile applications. Arteris provides the interconnect fabric that links processors, memory, and peripherals within complex chip designs. This functionality becomes increasingly valuable as AI workloads require more processing blocks and greater data movement within a single chip.
CEVA, Inc. (Information Technology, Special Situation)	CEVA was a significant contributor as investors re-rated the company's digital signal-processing and AI-processor intellectual-property platform in the context of accelerating edge-AI deployment across consumer electronics, connected devices, and automotive applications. The company combines exposure to edge AI with an established licensing model, a strong balance sheet, and broad customer relationships.
Mayville Engineering (Industrials, Special Situation)	Mayville Engineering contributed as investors responded to tangible evidence of the operational inflection that had been central to the investment thesis. Investors began to recognize the strategic value of a recent acquisition that gives Mayville exposure to data-center infrastructure fabrication. This new end market broadens the company's addressable opportunity and reduces its dependence on more cyclical industrial customers. The quarter reinforced the view that earnings power at normalized volumes is substantially higher than the near-trough results that had weighed on sentiment.
Materion (Materials, Core Growth)	Materion contributed strongly as investors recognized improving demand and margin opportunities across several specialized end markets. The company's capabilities in beryllium, copper alloys, and precision thin-film coatings serve defense, semiconductor packaging, and medical-imaging applications, each supported by attractive structural drivers. Following the stock's appreciation, we exited the position near the end of the quarter because its prospective return had become less compelling relative to other opportunities in the portfolio. The sale reflects our discipline of reassessing forward risk/reward as prices and expectations change.
Veeco Instruments Inc. (Information Technology, Special Situation)	Veeco contributed strongly as investors increasingly recognized the company's strategic position in the manufacture of advanced semiconductors and photonics components used in AI data-center infrastructure. Management also reaffirmed full-year 2026 revenue guidance, improving confidence in the durability of the semiconductor-capital-equipment recovery.



Portfolio Management — Trimming and Capital Recycling

Following the quarter's strong gains, we reduced several positions whose valuations had moved materially closer to our assessment of fair value and exited Materion as its prospective return became less compelling. We redeployed capital toward companies earlier in their recognition cycles, where improving fundamentals and identifiable catalysts offered more attractive forward risk/reward. This discipline reflects our objective not only to identify strong businesses, but to own them at valuations that appropriately compensate for risk.

Bottom Detractors

Cogent Communications Holdings (Communication Services, Special Situation)	Cogent was the largest detractor as the timeline for generating meaningful Wavelength revenue extended beyond expectations. We continue to believe the company's national fiber backbone has substantial strategic value and is well positioned to serve growing data-center interconnect demand, but commercial progress has taken longer than anticipated. In our assessment, the thesis remains intact at the asset level, but the near-term financial-execution timeline warrants continued monitoring.
United States Antimony Corporation (Materials, Special Situation)	United States Antimony detracted after giving back a portion of significant prior appreciation. Investor expectations for near-term production output had moved ahead of the company's operational ramp, and reported production below those elevated expectations led investors to reset estimates. In our view, the strategic rationale remains intact. U.S. Antimony is one of the few domestic producers of antimony, a mineral considered important to national security because of its applications in ammunition, flame retardants, and semiconductor materials.
Kura Sushi USA, Inc. (Consumer Discretionary, Pioneer)	Kura Sushi detracted as softer consumer discretionary spending pressured restaurant traffic, particularly for higher-average-check concepts. The company operates a differentiated revolving-sushi format that remains early in its U.S. expansion and has limited direct domestic competition. We continue to view the long-term development opportunity as attractive, but the timing has become more challenging.
IRadimed Corporation (Health Care, Core Growth)	IRadimed declined modestly, creating a relative-performance headwind in an exceptionally strong market despite continued fundamental execution. The company is the leading provider of MRI-compatible intravenous infusion pumps and benefits from a highly differentiated competitive position. The next-generation 3870 pump is supporting a hospital replacement cycle, while recent results continued to demonstrate double-digit growth and strong gross margins. We view the quarter's weakness as valuation digestion following a strong prior period rather than a change in the long-term thesis.
Xenon Pharmaceuticals Inc. (Health Care, Pioneer)	Xenon detracted as investors remained cautious ahead of the anticipated regulatory submission for azetukalner in focal-onset seizures. The quarter's weakness reflected regulatory timing and investor patience rather than an adverse change in the clinical thesis. We continue to believe the Phase 3 results support a



differentiated clinical profile, while additional programs in mood disorders provide longer-term optionality.

Macro and Outlook

The second-quarter resurgence was encouraging after several years of difficult relative performance, but a 29.0% benchmark return should not be extrapolated. Broader earnings growth, improving capital-markets activity, and investor willingness to look beyond large-cap leaders could remain supportive for smaller companies.

At the same time, important risks remain. Interest rates and inflation continue to affect the valuation of longer-duration growth assets. Economic slowing could pressure companies with cyclical exposure or limited operating flexibility, and smaller companies remain more sensitive to liquidity and capital availability. The quarter's strong gains also created higher expectations and less forgiving valuations for some recent winners.

The quarter reinforced the value of maintaining exposure across all three LifeCycles. Pioneers that faced pressure during the first quarter became leaders during the second quarter, while Special Situations and Core Growth holdings also produced returns above the benchmark. This diversification provides multiple independent paths to alpha and reduces reliance on any single style or market theme.

Micro-cap investing has historically been volatile, and we expect that to continue. The same limited liquidity, low institutional ownership, and incomplete investor recognition that can produce substantial upside can also amplify temporary declines. In our view, the opportunity arises when expectations become disconnected from long-term fundamentals.

Our objective remains constant: to identify growth opportunities before the broader market recognizes them. The second quarter illustrated that dynamic as the portfolio overcame benchmark concentration through fundamental stock selection, participated in AI through differentiated enabling technologies, and generated strong returns across all three LifeCycles. We remain encouraged by the breadth of opportunity across the portfolio, while maintaining our valuation discipline following a strong quarter.

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Microcap Growth Composite Trailing Period Returns 2Q26 - Annualized

	2Q26	1-Yr	5-Yr	Since Inception*
Microcap Growth Composite – Net	39.2%	72.0%	-3.9%	5.7%
Russell Microcap Growth Index	29.0%	51.3%	3.3%	11.4%

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.