



SMALL CAP SELECT

Portfolio Comments

June 30, 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 is overweight in Information Technology, Communication Services, and Consumer Staples versus the Russell 2000 Growth benchmark. The portfolio is underweight the benchmark in all other sectors. We continue to have no exposure to Utilities, Real Estate, or Energy.

Market Environment

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 Select strategy returned 63.4%, meaningfully outperforming the Russell 2000 Growth Index, which gained 25.7% during the quarter.

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 appeared to once again reward 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.

Performance & Attribution

The Granahan Small Cap Select strategy returned 63.4%, meaningfully outperforming the Russell 2000 Growth Index, which gained 25.7% during the quarter. For the first half of 2026, the portfolio returned 58.3%, compared with 22.2% for the Russell 2000 Growth Index.

From a LifeCycle perspective, 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.

2Q26 Contributors	2Q26 Detractors
1. Digital Turbine (Info. Tech., Special Situation)	1. Arlo Tech. (Info. Tech., Core Growth)
2. Silicon Motion Tech. (Info. Tech., Special Situation)	2. Nextpower Inc. (Industrials, Core Growth)
3. Porch Group (Info. Tech., Pioneer)	3. Descartes Systems (Info. Tech., Core Growth)
4. Dave, Inc. (Financials, Pioneer)	1. iRhythm Technologies (Health Care, Pioneer)



Positioning

Since its inception, the Small Cap Select strategy has been guided by a straightforward philosophy: the small-cap market is inefficient, creating opportunities for disciplined, fundamental investors to identify exceptional businesses before their long-term earnings power and appreciation potential are fully recognized by the market. Within the small-cap universe, successful investments can appreciate several hundred percent over relatively short periods, creating an asymmetric return opportunity that is difficult to replicate through broadly diversified portfolios. Our portfolio construction is designed to capitalize on this opportunity. Approximately 60–65% of the portfolio is typically allocated to what we refer to as our "Major League" positions, our highest-conviction investments with the greatest long-term appreciation potential. Before reaching this designation, each company undergoes an extensive fundamental research process, leveraging our proprietary industry network, rigorous due diligence, and comprehensive valuation work, including detailed risk/reward probability analysis. This disciplined, concentrated approach places a premium on our ability to identify exceptional businesses before their potential is fully recognized by the market and to maintain conviction as their investment theses continue to develop.

The second quarter provided perhaps the clearest example of this philosophy and process in action. Entering the quarter, Digital Turbine, Silicon Motion, Dave, and Porch Group ranked among the portfolio's thirteen largest holdings, and each appreciated by more than 100% during the quarter. Importantly, only one of these companies, Silicon Motion, could reasonably be considered a direct beneficiary of the current AI investment cycle. Equally noteworthy, two of these companies were classified within our Special Situations category and two within our Pioneers category. In fact, Special Situations was our strongest-performing lifecycle category during the quarter, followed by Pioneers and then Core Growth. We believe this underscores the value of our lifecycle diversification framework, which intentionally allocates capital across companies at different stages of development and transformation, allowing us to participate in multiple sources of alpha rather than relying on a single style of growth investing. These companies appreciated as improving business fundamentals, stronger execution, and accelerating earnings ultimately outweighed investor skepticism.

Digital Turbine was our largest detractor during the first quarter despite exceeding revenue expectations in each of the previous five quarters. We viewed the weakness as a valuation disconnect rather than a deterioration in fundamentals and increased our position accordingly. The company subsequently delivered another strong earnings report and favorable outlook, leading investors to recognize the accelerating improvement in the business. Supported by an analyst upgrade and improving momentum, the shares reached multi-year highs. We continue to believe the market underappreciates the company's multiple growth initiatives, including expanding carrier relationships and new opportunities created by increasing competition within the Google Play ecosystem.

Silicon Motion has long been a core holding based on its leadership in NAND flash memory controllers and growing presence in enterprise storage. The company significantly exceeded expectations during the quarter, reporting revenue well above consensus while demonstrating continued success in penetrating data center applications. We believe Silicon Motion remains in the early stages of a multi-year growth opportunity as AI workloads increasingly require sophisticated storage solutions both in centralized data



centers and at the network edge. Its recently introduced DRAM-less controller further strengthens its competitive position by reducing costs while improving performance. Despite the stock's strong appreciation, we continue to view the valuation as attractive relative to its long-term growth prospects.

Porch Group followed a similar path. While the stock declined sharply over late 2025 and early 2026, the underlying business continued to execute well as management successfully restructured operations and improved profitability. During the second quarter, investors began to recognize both the value created through the company's reciprocal exchange transaction and the long-term earnings potential of its insurance platform and proprietary data assets. We believe Porch remains well positioned to gain market share while further monetizing one of the industry's most differentiated residential property datasets. The second quarter rewarded the patience of both management and shareholders, and we continue to see meaningful opportunity ahead.

Dave represents another example of our willingness to add to high-conviction positions during periods of market weakness. Despite consistently delivering strong operating results, the shares struggled during the first quarter, allowing us to increase our investment at attractive prices. The company continues to disrupt traditional consumer banking through technology-enabled, low-cost financial services designed for underserved customers. Strong revenue growth, expanding profitability, and significant market opportunity support our view that Dave has the potential to compound value for many years.

Several current holdings detracted during the quarter despite little change in their long-term investment theses. As we saw in the first quarter, top detractors can make the switch to top contributors if the company continues to execute on their strong growth plans and the market rewards them with a higher valuation. We would highlight four of the second quarter detractors, Arlo Technologies, Nextpower, Descartes Systems, and iRhythm as they experienced share-price weakness driven primarily by valuation compression, profit-taking, following prior gains, or investor caution regarding the timing of future catalysts rather than deteriorating business fundamentals. Across these companies, we continue to believe they possess differentiated competitive positions in attractive end markets and are well positioned to create long-term shareholder value as execution continues and key catalysts unfold.

Arlo Technologies has evolved from a hardware-focused business into a leading provider of AI-enabled smart home security solutions with an increasingly valuable recurring revenue model. While demand for connected security devices remains healthy, we believe the more compelling investment opportunity lies in the rapid expansion of its subscription platform, where higher-margin software and AI-powered services continue to drive improving profitability and customer lifetime value. As consumers increasingly adopt intelligent home automation and proactive security monitoring, Arlo's differentiated ecosystem and growing installed base position the company, in our view, to benefit from long-term secular growth. When Arlo announced first quarter earnings during the quarter, we felt the results were excellent, but that the market was less impressed, which we attribute in part to fewer days in the fiscal quarter and to the fact that the company did not raise 2026 guidance — something the company as a matter of practice does not do at this point in the year. We believe the company is well positioned for continued strength, including the potential benefit of new selling partners in ADT and Xfinity in the coming year, and that a strong second



quarter and a positive update to annual guidance could help the market reassess its recent reaction to the print.

Nextpower represents our conviction that the world will require a broad range of innovative energy solutions to meet accelerating electricity demand driven by electrification, industrial expansion, and the rapid buildout of AI infrastructure. The company is developing advanced solar power generation technologies designed to deliver reliable, efficient, and lower-emission electricity, addressing an increasingly important gap as utilities struggle to keep pace with growing power needs. While many of the company's recently acquired businesses remain in the earlier stages of commercialization, we believe successful execution could unlock a substantial long-term market opportunity. We continue to view the company's differentiated technology, experienced management team, and favorable industry backdrop as creating an attractive risk-reward profile over a multi-year investment horizon. The company has delivered better-than-expected results in every quarter since becoming publicly traded, and while we believe this execution could continue, we would caution that a limited public track record warrants tempered expectations for the durability of this pattern going forward.

Descartes Systems Group remains one of the highest-quality software businesses in our portfolio, providing mission-critical cloud-based solutions that help customers manage logistics, supply chains, and global trade operations. The company's highly recurring revenue model, consistent cash generation, and disciplined acquisition strategy have enabled it to deliver durable organic growth while steadily expanding its addressable market. As global supply chains become increasingly complex and businesses continue investing in automation, compliance, and operational efficiency, we believe Descartes is well positioned to benefit from these long-term secular trends. The company has historically traded at a premium valuation reflecting its business quality; however, amid AI-related concerns affecting software valuations broadly, it is now trading near its lowest valuation levels of the past decade. We believe these concerns are overstated in Descartes' case, and that the business could strengthen further as a result of the AI features it has incorporated into its own platform, potentially supporting a re-rating over time, particularly if freight volumes eventually recover. As such, despite being a detractor during the quarter, we have continued to increase our position.

iRhythm Technologies remains a core holding as the market leader in ambulatory cardiac monitoring through its Zio platform, which combines a wire-free, patch-based biosensor with cloud-based analytics to help physicians detect and diagnose arrhythmias. We believe the company's differentiated technology, expanding primary care and international channels, and continued investment in AI-driven diagnostic efficiency position it well to keep growing its share of a large and underpenetrated cardiac monitoring market. iRhythm's most recent quarterly results were strong on the headline numbers, with raised full-year guidance and continued margin improvement, yet the stock nonetheless detracted during the quarter. We believe this had less to do with company-specific execution and more to do with a broader rotation away from medical device names and into biotech, which drove meaningful valuation compression across the medtech sector during the first half, from large-cap franchises down to smaller names. We see the pending FDA submission for Zio MCT, targeted for a first-half 2027 launch, as a meaningful incremental growth driver that the market has yet to fully credit, alongside continued AI-driven efficiency gains that we believe support the company's long-term margin targets. With several leading medtech businesses, including



iRhythm, now trading at valuations that look increasingly attractive relative to their growth and quality, we believe the setup for a sector-wide re-rating is improving, though the timing of any such reversal remains uncertain.

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.

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Small Cap Select Composite Trailing Period Returns 2Q26 - Annualized

	2Q26	YTD	1-Yr.	5-Yr.	10-Yr.
GIM SC Select Composite – Net	63.4%	58.3%	66.8%	3.1%	21.3%
Russell 2000 Growth Index	25.7%	22.2%	38.7%	5.6%	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 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 concentrated 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.