

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

3Q 2026 Performance:	<u>Granahan SC Core Growth: -6.1%</u>	Russell 2000 Growth: -9.4%
YTD 2026 Performance:	<u>Granahan SC Core Growth: 31.0%</u>	Russell 2000 Growth: 10.7%
Top Contributors:	Repligen, GRAIL, Porch Group, Magnite, Nutanix	
Bottom Detractors:	Alignment Healthcare, FTAI Aviation, Forgent Power Solutions, Nextpower, Allegro MicroSystems	
Key Themes:	Enterprise software and cloud modernization; health care innovation; digital advertising; infrastructure investment and valuation discipline.	

Highlights

- Small-cap fundamentals continued to improve during the quarter, although market volatility and narrower leadership weighed on share prices.
- Following a very strong second quarter, portfolio actions taken late in 2Q and early in 3Q contributed to solid relative performance in a more challenging market environment.
- Stock selection remained the principal source of relative value. Health Care, Financials, Communication Services and selected Software holdings offset significant weakness in Industrials and several Special Situation stocks.
- Pioneer companies produced a positive return, supported by company-specific catalysts and fundamental progress.

Performance

The Granahan Small Cap Core Growth strategy returned -6.1% during the quarter, compared with -9.4% for the Russell 2000 Growth Index. Although absolute returns were negative, the strategy outperformed the benchmark as security selection remained productive across several sectors. For the year to date through September 30, the Granahan Core Growth strategy returned 31.0%, compared with 10.7% for the Russell 2000 Growth Index.

Performance became increasingly differentiated during the quarter. Companies delivering earnings growth, improving execution and identifiable catalysts continued to be rewarded in several areas. Company fundamentals across the portfolio remained broadly intact during the quarter.



Top Contributors

Repligen (Health Care, Core Growth) - <i>Trimmed</i>	Repligen was among the strategy's strongest contributors as investors responded to improving demand trends across bioprocessing and life-science tools. We also see early signs that AI-enabled drug discovery could increase the number and pace of drug-development programs over time. Twist Bioscience (also a portfolio holding) is more directly exposed earlier in discovery and screening, while Repligen can benefit later as more biologic programs progress toward clinical development and manufacturing. We trimmed Repligen following strong appreciation while maintaining exposure to the long-term opportunity.
GRAIL (Health Care, Pioneer) - <i>Trimmed</i>	GRAIL appreciated sharply following a positive FDA advisory-panel vote that reduced an important element of regulatory uncertainty around its multi-cancer early detection platform. The favorable development increased investor confidence in the company's long-term commercial opportunity. As the shares responded, we trimmed the position to manage position size while maintaining exposure to the longer-term thesis.
Porch Group (Financials, Pioneer) - <i>Trimmed</i>	Porch continued to benefit from improving execution and increased confidence in the earnings potential of its insurance platform. The company had also been a major contributor in the second quarter, and its continued progress reinforced our emphasis on businesses translating secular opportunity into stronger financial results. We trimmed the position following appreciation.
Magnite (Communication Services, Core Growth) - <i>Trimmed</i>	Magnite contributed as investors responded to improving trends across digital advertising and connected television. The stock's performance was notable in a quarter when market breadth narrowed materially. We trimmed the position while retaining exposure to the longer-term opportunity.
Nutanix (Information Technology, Core Growth) - <i>Trimmed</i>	Nutanix benefited from continued execution and durable demand for its enterprise cloud platform. Guidewire Software and JFrog also contributed positively, providing additional examples of portfolio companies serving enterprise technology needs. We trimmed Nutanix after strong performance while maintaining a constructive view on recurring revenue growth and the company's long-term competitive position.

Bottom Detractors

FTAI Aviation (Industrials, Core Growth) - <i>Added</i>	Despite continued strength in the aerospace aftermarket, sentiment has been pressured by concerns that higher oil prices stemming from the Iran conflict could weigh on flight activity. In addition, the reversal in the AI trade has reduced the value investors are assigning to FTAI's emerging power business. Finally, the strategic shift toward a more asset-light model, combined with efforts to gain airline market share, has created near-term dislocation in fundamentals, even as these initiatives should improve the company's long-term growth and return-on-capital profile. The decline reduced its valuation, and we materially increased the position as our assessment of prospective return improved relative to the underlying earnings opportunity.
Forgent Power Solutions (Industrials, Core Growth) - <i>Reduced</i>	Forgent Power Solutions declined sharply early in the quarter as investors reassessed valuations across data-center and power-infrastructure beneficiaries. The shares recovered meaningfully later in the period following a strong earnings report that reinforced healthy demand and operating momentum. Despite the



	rebound, the stock remained a detractor for the quarter. We substantially reduced our position early in the period, limiting our exposure ahead of the subsequent decline and reducing the portfolio's overall concentration in AI infrastructure. As the valuation reset and the risk/reward became more attractive, we began adding back to the position near quarter-end.
Nextpower (Industrials, Core Growth) - <i>Added</i>	Nextpower declined as the broader solar and power-related group weakened during the quarter. A more cautious market backdrop pressured valuations despite continued long-term demand for power generation and infrastructure investment. We increased the position during the weakness as the lower valuation improved the prospective return relative to our long-term view of the business.
Allegro MicroSystems (Information Technology, Special Situation) - <i>Added</i>	Allegro MicroSystems declined amid broad weakness in automotive semiconductors, where concerns around end-market demand and inventory normalization pressured the group. We increased the position during the weakness as we remained constructive on the company's long-term content growth and differentiated exposure within automotive electronics.
indie Semiconductor (Information Technology, Special Situation) - <i>Trimmed</i>	indie Semiconductor detracted as automotive semiconductor stocks weakened broadly during the quarter. Softer sentiment toward the auto semiconductor group outweighed the company's longer-term opportunity in advanced driver-assistance, connectivity and in-vehicle electronics. We trimmed the position as part of our broader reassessment of exposure and prospective return within the group.

Attribution

Stock selection was the principal source of outperformance, with particularly strong results in overweight Health Care and Information Technology and equal weight Financials and Communication Services. Health Care was the largest positive sector contributor, led by Repligen, GRAIL and SI-BONE. The sector again provided downside protection for the portfolio, resuming its historical defensive role after failing to provide that cushion in 2023 and 2024. Financials were also a substantial source of alpha, led by Porch. Communication Services benefited from Magnite, while selected Software holdings supported Information Technology.

The principal sector-level weakness was overweighted Industrials, where pressure was concentrated across Aerospace & Defense, data-center power infrastructure, industrial technology and other capital-spending-sensitive areas. Positive contribution overall was generated across a diverse set of industries, while much of the negative contribution was concentrated in a narrower group of exposures. Pioneer companies produced a positive return, while Core Growth declined modestly and Special Situations experienced substantially greater pressure. The Pioneer result illustrates how identifiable catalysts and fundamental progress can support earlier-stage businesses even during a difficult quarter for small-cap growth.

For the year-to-date, stock selection drove most of the relative gain. Information Technology was the largest source of relative out-performance, followed by Financials and Materials. Despite its third-quarter weakness, Industrials remained a positive contributor to relative performance over the first nine months. Except for Energy and Real Estate, all sectors outperformed the Russell 2000 Growth Index. Year-to-date returns were remarkably close for Pioneers and Special Situations. Core Growth delivered a strong return and, given its larger allocation, contributed the most to overall portfolio performance.



Portfolio activity during the quarter reflected both risk management and continued bottom-up conviction. We harvested gains in several strong contributors, including GRAIL, Repligen, Porch, Magnite, Nutanix and SI-BONE. At the same time, market weakness created opportunities to increase positions where our prospective return expectations improved, including selected Software, semiconductor, Aerospace & Defense and Industrial holdings.

From June 30 to September 30, the portfolio's Information Technology weight increased by approximately 1 percentage point, while Industrials declined by approximately 1.3 percentage points. Health Care remained relatively stable, Consumer Discretionary increased modestly, and Financials and Communication Services were little changed.

During the third quarter, the Core Growth allocation increased by approximately 4%, while Special Situations declined by 3% and Pioneers remained largely unchanged. Year to date, Core Growth declined by approximately 4%, while Pioneers increased by 4%.

Themes

Enterprise Software and Cloud Modernization

Nutanix, Guidewire Software and JFrog illustrate different aspects of enterprise technology modernization, and all three contributed positively during the quarter. Nutanix helps businesses manage applications and data across hybrid cloud environments. Guidewire provides core software and cloud capabilities for property and casualty insurers, while JFrog helps organizations manage and secure the software supply chain. We see a common investment theme in platforms that support essential workflows and can deepen customer relationships as adoption expands. Their positive contribution also demonstrates that opportunities within technology extend beyond semiconductor and data-center hardware spending.

Health Care Innovation from Discovery to Treatment

Repligen and Twist Bioscience provide complementary exposure to the drug-development process, and both contributed positively during the quarter. Twist supplies synthetic DNA used in discovery and screening, while Repligen supports bioprocessing as biologic therapies move toward clinical development and commercial manufacturing. AI-enabled discovery could expand the number of development programs over time, although that potential remains a longer-term opportunity rather than a prerequisite for our investment theses. GRAIL and SI-BONE also contributed positively, illustrating the breadth of health care opportunities across cancer detection and surgical treatment. We evaluate each company against its own adoption, regulatory and commercial milestones.

Digital Advertising and More Effective Marketing

Magnite and Zeta Global both contributed positively, offering exposure to different parts of the digital advertising ecosystem. Magnite enables publishers to monetize advertising inventory, including connected television, while Zeta helps enterprises use data and AI to acquire and retain customers. We see opportunity in platforms that help advertisers reach audiences more effectively and measure the value of their spending. These holdings broaden our technology-related exposure beyond enterprise infrastructure, although advertising budgets remain sensitive to business conditions.

Infrastructure Investment and Valuation Discipline



The portfolio also holds companies exposed to long-term investment in power, data centers and aviation. Nextpower participates in solar power infrastructure, Forgent Power Solutions supplies power infrastructure, and FTAI Aviation serves the aviation aftermarket. All three detracted during the quarter, making this an area where durable end-market opportunity must be weighed carefully against valuation and execution risk. We increased FTAI and Nextpower as lower prices improved our assessment of prospective returns, while reducing Forgent following its substantial second-quarter appreciation and subsequent volatility. A favorable industry theme does not eliminate the need to assess each business and its valuation independently.

Earnings Growth and the Higher-Rate Environment

Higher interest rates do not necessarily undermine the case for small-cap stocks. Rates can influence valuations and sentiment, particularly for companies trading at high multiples, but earnings growth is a more meaningful driver of long-term returns. The third-quarter pullback was accompanied by improving aggregate sales, cash flow and earnings, suggesting that share-price weakness did not reflect a broad deterioration in small-cap fundamentals. According to Furey Research, “During the R2000’s history there have been nine previous instances when the 10-yr yield rose 100+bps over the past year to a new 2-year high in yields. The 10-year just did this again on 9/14/26. Small-caps usually rally while the 10-year is surging higher. Generally, the R2000 has posted strong returns during such yield surges – Mar ’22 and Aug ’23 were the exceptions. Small-caps also outperformed more than underperformed during the trailing year.”

Macro and Outlook

Despite the third-quarter pullback in smaller companies, the U.S. economy and equity markets have remained resilient. The challenges are substantial: disruptions to oil supply, persistent inflation, elevated interest rates, a sluggish housing market and ongoing geopolitical conflict. Even so, these pressures have yet to meaningfully derail economic activity. Low unemployment, continued industrial activity and steady consumer spending remain supportive, while credit spreads are relatively contained. For small-cap companies, this remains a workable backdrop, particularly for businesses with the earnings growth and cash generation to fund their expansion.

We enter the fourth quarter with a constructive but selective view. The third-quarter pullback improved small-cap valuations, with the Russell 2000's forward P/E falling below 20x for the first time since mid-2025, therefore small caps remain inexpensive relative to large companies. Valuation alone, however, is not an investment thesis. We continue to seek businesses that can translate attractive end-market opportunities into earnings growth, stronger cash generation and identifiable commercial milestones.

Rising Treasury yields remain an important consideration for small-cap growth investors and created valuation pressure across parts of the portfolio during the quarter. Even so, the strategy generated solid relative performance in 3Q, reinforcing our view that higher yields do not automatically preclude attractive small-cap returns. The source of the increase matters: higher yields associated with stronger nominal growth, investment and earnings can remain consistent with a constructive small-cap environment, provided companies generate sufficient growth to absorb the higher cost of capital. We therefore believe the more important question entering 4Q is whether earnings and business momentum remain strong enough to offset the pressure from higher discount rates.



Our lifecycle framework helps us evaluate that question across companies at different stages of development. The positive return from Pioneers and greater pressure on Special Situations during the quarter demonstrate that rates alone did not determine outcomes; earnings progress, catalysts and valuation mattered considerably. As we look ahead, we believe prospective returns are likely to depend less on broad multiple expansion and more on earnings delivery, company-specific execution and disciplined capital allocation. We remain focused on identifying companies where recent stock price weakness is disconnected from strong underlying fundamentals and long-term growth prospects.

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Small Cap Growth Composite Trailing Period Returns 3Q26 - Annualized

	3Q26	YTD	1-Yr	5-Yr	10 Yr
GIM SC Core Growth Composite – Net	-6.1%	31.0%	34.8%	2.8%	15.2%
Russell 2000 Growth Index	-9.4%	10.7%	12.1%	4.7%	9.9%

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