



SMID CAP SELECT

Portfolio Comments

September 30, 2026

Distinguishing Features

GIM builds the [SMID Cap Select](#) portfolio from the bottom-up; sector weightings are secondary to stock selection. At quarter-end, the SMID Cap Select portfolio is overweight in Financials, Information Technology, and Communication Services versus the Russell 2500 Growth benchmark. The portfolio is underweight the benchmark in all other sectors. We have no exposure to Utilities, Real Estate, Materials, or Energy.

Market Environment

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.

- Small- and mid-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. Financials, Communication Services, Health Care, and Consumer Discretionary 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 & Attribution

The Granahan SMID Cap Select strategy returned -4.6%, meaningfully outperforming the Russell 2500 Growth Index, which declined -10.4% during the quarter. Although absolute returns were negative, the strategy outperformed the benchmark as security selection remained productive across several sectors. Year-to-date, the portfolio returned 48.4%, compared with 7.3% for the Russell 2500 Growth Index.

From a LifeCycle perspective, Pioneer companies produced a positive return for the quarter. Core Growth was slightly negative 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.

3Q26 Contributors	3Q26 Detractors
1. Magnite, Inc. (Comm. Services, Core Growth)	1. FTAI Aviation Ltd. (Industrials, Core Growth)
2. Porch Group (Financials, Pioneer)	2. Nextpower Inc. (Industrials, Core Growth)
3. Chime Financial (Financials, Core Growth)	3. Capstone Energy (Industrials, Special Situations)
4. SharkNinja, Inc. (Consumer Disc., Core Growth)	4. Modine Manufacturing (Industrials, Core Growth)
5. SI-BONE, Inc. (Health Care, Pioneer)	5. Celcuity, Inc. (Health Care, Pioneer)



Positioning

During the late spring and early summer, both the portfolio and the Russell 2500 Growth Index benchmark underwent significant changes. Among these was a reduction of approximately 300 basis points in the benchmark's Industrials weight. Industrials subsequently proved to be the index's worst-performing sector by a wide margin, declining 21.58% in the third quarter. The lower allocation to the sector helped mitigate its negative impact on benchmark returns.

Following strong gains in Industrials during the spring, we determined that the expected returns for many of our holdings had become less attractive and reduced several positions. As a result, our average Industrials weight declined from 24.8% in the second quarter to 15.8% in the third quarter. Later in the quarter, share-price declines improved the expected returns of selected holdings, prompting us to add to some of our Industrials positions. We ended the quarter with a modest underweight in Industrials relative to the Russell 2500 Growth Index.

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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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.

SMID Cap Select Composite Trailing Period Returns 3Q26 - Annualized

	3Q26	YTD	1-Yr.	5-Yr.	10-Yr.
GIM SMID Select Composite – Net	-4.6%	48.4%	37.2%	2.9%	18.6%
Russell 2500 Growth Index	-10.4%	7.3%	7.6%	3.5%	10.6%

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/Mid 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/Mid Cap Select product utilizes fundamental, bottom-up research and analysis to invest in the stocks of companies in the small to mid-cap sector of the market that have the ability to sustain growth through market disruption. The Small/Mid Cap Select is a concentrated SMID-cap portfolio typically containing 45-50 holdings. The benchmark for the Small/Mid Cap Select product is the Russell 2500 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 SMID 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/Mid 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. 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.