FOCUSED GROWTH

Portfolio Comments
December 31, 2025

In Q4 of 2025, the Granahan Focused Growth portfolio declined -10.2%, significantly lagging the benchmark's +1.2% return. For the full year, Focused Growth returned +1.6%, compared with +13.0% for the Russell 2000 Growth. *This letter reflects on the key lessons from 2025 and how we are positioned for 2026 and beyond*. I begin with attribution for both the quarter and the year.

Attribution for Q4 2025

Stock selection for Q4 was negative across most sectors, most notably Financials (-293 basis points) and Consumer Discretionary (-220). The one sector with meaningful positive selection was Basic Materials (+101 basis points). The most significant impact on relative performance was in the Healthcare sector, where the portfolio's lack of exposure to biotech hurt relative performance by -316 basis points. Below, I discuss the individual portfolio holdings that were top contributors and detractors in Q4:

Q4 Largest Relative Contributors:

- **Carpenter Technology Corporation (CRS)** - Carpenter manufactures and sells specialty materials primarily for the aerospace market. CRS shares rose 28% on strong FY Q1 (9/30) results and outlook, and the stock contributed +95 basis points to performance. We believe Carpenter can sustain strong profit growth for many years, and despite trimming the position into strength, it remains an above-average holding in the portfolio.
- **FTAI Aviation (FTAI)** - Shares of FTAI, a vertically integrated supplier of aftermarket aerospace parts, rose 20% and contributed +36 basis points to performance in Q4. The company reported solid Q3 results and, more importantly, meaningfully raised 2026 guidance. We added to the position recently, making it an above-average holding in the portfolio.
- **Compass Inc. (COMP)** - Compass is the leading residential real estate brokerage firm in the U.S. with a robust and differentiated technology platform. COMP shares rose 31%, contributing +35 basis points to performance in the quarter. We believe the company's outlook remains strong despite the sluggish residential housing market. The stock is an average-sized holding in the portfolio.

Q4 Largest Relative Detractors:

- **Porch Group (PRCH)** - Porch provides homeowners insurance, software and other services for the residential housing market. Our largest position, Porch was down -46% in Q4, hurting performance by -395 basis points in the quarter. The company reported good Q3 results, nicely beating both top and bottom-line expectations, but left annual guidance approximately unchanged, implying Q4 guidance below street expectations. Following a series of quarterly beats and raises, the market was positioned for another in Q3, hence the sharp stock price reaction to Q4 guidance. After reviewing the results and speaking with management and a range of investors, we see no fundamental deterioration in the business. CEO Matt Erlichman (whom I think very highly of) made a judgment that prioritizing statutory surplus and Q4 profitability—rather than maximizing near-term premium growth—would better position Porch for organic growth and M&A in 2026 and 2027. From a KPI (key performance indicator) perspective, both Gross Loss Ratio and Attritional Loss Ratio have been exceptional year-to-date, which, counterintuitely, helped the decision to moderate Q4 premium growth. Although management underestimated the market's reaction to this decision, I believe the stock price reaction was excessive. Management has clearly internalized investor feedback and is focused on restoring investor confidence in growth. Our conviction that Porch Group remains desert-island worthy is unchanged. The expected return is compelling, and we have added to the position.

- **Oddity Technology (ODD)** - Oddity is an online direct-to-consumer beauty and wellness company using AI to deploy targeted molecules, attract and retain customers, and personalize product recommendations. ODD shares fell -35%, detracting -204 basis points from performance in the quarter, despite better-than-expected Q3 results and Q4 guidance. We believe the stock's weakness reflects the market's concerns about potential demand softness for discretionary consumer purchases, as well as execution risk associated with the recent launch of the company's latest brand, Methodiq. We think prospects for Methodiq and Oddity's other brands are excellent, and the company maintains solid prospects for durable 20%+ growth and a strong balance sheet. With the stock trading at 10X our 2026E adjusted EBITDA and with a nearly 7% free cash flow yield, the expected return is excellent. We have added to our position and may add more.
- **Magnite (MGNI)** - Magnite, a sell-side advertising technology vendor, reported disappointing Q3 results. The stock fell -26% in Q4 and detracted -95 basis points from performance. We have trimmed the position as we believe there are more compelling opportunities. It is currently a small holding in the portfolio.

Attribution for 2025

Stock selection for 2025 was neutral overall, with strength in Energy (+301), Financials (+384) offset by weakness in Technology (-561) and Industrials (-240). The portfolio's lack of biotech and pharma hurt performance by -376 basis points. Additionally, stylistic factors were a headwind for 2025, as market leadership skewed sharply toward stocks with weak sales growth, low absolute share prices, negative free cash flow, and high short interest—all factors the portfolio was, as is typical, significantly underweight. Notably, after strong first-half earnings, Q2 and Q3 earnings reports were decent, with about an average number of companies reporting disappointing results or guidance. The only company in which we had a large position that gave a disappointing update (Q4 guidance) was Porch, as previously discussed. Conversely, many of the companies we are invested in delivered strong results, but were not rewarded by the market (e.g., ODD, GENI, SRAD, FIX, NXT, LTH, ZETA). Below I discuss the individual portfolio holdings that were top contributors and detractors for 2025 overall:

2025 Largest Relative Contributors:

- **Circle Internet Group (CRCL)** – Shares of Circle, a digital financial services firm best known for issuing the USDC stablecoin, rose +208% during the period we held the stock, contributing +302 basis points to performance. Circle had an exceptionally strong debut as a public company, having completed its IPO at $31 per share in early June, surging to $265 in late June, and ending the year at $79. We participated in the IPO and purchased most of our position in the aftermarket. We believe Circle is well positioned as the #2 stablecoin player globally, and clear #1 in terms of transparency and regulatory compliance. We exited the position in Q3 following the significant appreciation and in keeping with our valuation discipline. The company remains on the Desert Island Monitored list.
- **Centrus Energy (LEU)** - A broker/dealer and supplier of enriched uranium for commercial nuclear power plants, Centrus shares advanced sharply in 2025 as investors gained an appreciation for the company's unique and critical position in domestic supply chain for nuclear fuel. Our average gain was +194%, and the stock contributed +267 basis points to performance. Based on a diminished expected return, we have cut the position materially, and it is currently a relatively small position in the portfolio.
- **Porch Group (PRCH) -** As noted above, Porch reported a series of strong results and upward guidance revisions, up until its Q3 report in November. Despite falling -46% in Q4, the stock rose +86% in 2025 and contributed +225 basis points for the year. We purchased more following the sharp pullback in Q4, and the stock remains one of our top holdings.

2025 Largest Relative Detractors:

- **Kornit (KRNT)** - Kornit has a suite of products leading the shift from analog to digital printing in the garment, apparel and textile industries. KRNT shares fell -54%, hurting performance by -260 basis points for the year. The company's results were negatively impacted by tariff-related uncertainty, subdued spending on large capex investments, and challenges associated with a business model transition to more of a recurring "pay as you go" approach. While timing is hard to pinpoint, we believe Kornit is poised to benefit from both near-shoring and on-shoring due to the cost-effectiveness and quality of the company's newer printers. The company has a robust balance sheet, and its shares are trading modestly above net cash value. We currently have an average-sized holding in KRNT shares.
- **SPS Commerce (SPSC)** - SPS provides cloud-based supply chain management software to retailers and their suppliers. SPSC shares fell -56% during the period in which we owned the stock in 2025, hurting performance by -252 basis points. The company meaningfully lowered guidance twice during the year, citing uncertainties around tariffs and the adverse impact of policy changes Amazon implemented for third-party merchants. We exited the position in Q4 on concerns that the company's future growth may not meet our targets. We continue to monitor the company, and it remains on our Desert Island Monitored list.
- **Kura Sushi (KRUS)** - Kura operates a chain of over 80 revolving sushi bar locations in the U.S. KRUS shares fell -42%, detracting -236 basis points for the year. The stock was weak

on fears of a sales slowdown (confirmed with fiscal Q4 results in November) and cautious initial guidance for fiscal 2026. We believe the positioning/concept/opportunity all remain intact. After a rebound in the stock in recent weeks, we modestly trimmed the position, and it currently represents a slightly above-average holding.

Wrapping up 2025 and Looking to 2026 and Beyond

In the latter half of 2025, to put it simply, we owned too much of what investors didn't want (e.g., consumer and software) and not enough of what investors wanted (e.g., mining and minerals, biotech, AI-related energy and hardware, rockets, drones, and quantum computing). We have investments in some of these areas and not in others. As a reminder, we don't feel the need to invest in every sector, nor do we try to time sector bets. Rather we seek to identify a select set of companies capable of compounding at a high growth rate for an extended period. Implicit is the recognition that there will be times when our investments are in favor and those when they are out of favor. That said, I believe the underlying philosophy and process of Focused Growth are sound and remain fully intact. We have been through many phases of difficult performance before, and I suspect this one too shall pass. We believe the companies in the portfolio are well-positioned to capture large opportunities, are secularly growing, financially sound, and worthy of owning for a number of years (i.e., are Desert Island worthy).

Entering 2026, we are redoubling our efforts to make sure the companies we own are positioned to deliver earnings that are in-line with or better than expectations. From a valuation perspective, our proprietary expected return methodology indicates that individual holdings are attractive in aggregate, as many have not been rewarded by the market despite solid fundamentals. This leads me to believe that the portfolio's expected return as a whole is excellent over the next 12-36 months. Finally, although we do not forecast macro factors, easing interest rates, a still-healthy labor market, and the transformative benefits of AI on productivity are conducive to continued economic growth and a constructive backdrop for small- to mid-cap growth stocks.

Content Corner

Before concluding, below are a couple of books and a couple of movies I've enjoyed recently:

Two Books:

- Paper Girl - Urbana, Ohio is a small city with a population of about 11,000. It is located about 40 miles west of Columbus which is where I grew up. The book's author, Beth Macy, was raised in Urbana, and it was far from perfect during her youth in the 60's and 70's. The compare/contrast of then vs. now and the hollowing out and decline of the town, employment prospects, its schools, and its press is stark. It is also interesting as an example of a city in which the population has become polarized and moved from blue, to purple, to red on the political spectrum.
- Seabiscuit – I recently reread this terrific book by Laura Hillenbrand about how one of the 20th century's best athletes took the nation by storm. This version is an illustrated collector's edition which I enjoyed given the archival photos included.

Two Movies:

I'm sharing two very different musician-centered films—the first fictional, the second based on a true story. I found each to be good entertainment while capturing wonderful elements of humanity.

- The Ballad of Wallis Island – A fictional story centered on Charles, an eccentric lottery winner living by himself on a remote Scottish island. Charles invites McGwyer and Mortimer--a musical twosome who broke up more than a decade ago--to reunite and perform a private show for him. This is unique kind of film—but it works and I enjoyed it very much.
- Song, Sung Blue – Based on the true story of "Lightning & Thunder", a man and woman musical duo who create and perform a "Neil Diamond Experience". Their journey takes many twists and is underscored by many terrific acting performances—notably by headliners Hugh Jackman (Lightning) and Kate Hudson (Thunder).

Thank You

As we conclude our 40th year as an independent, employee-owned firm, our commitment remains unchanged: to serve our clients with integrity, invest with patience and conviction, and build a firm designed to endure across market cycles. On behalf of the entire team at Granahan Investment Management, I'd like to express my gratitude for entrusting us with your capital, which is managed alongside our own.

Sincerely,

Andrew L. Beja, CFA
Portfolio Manager
Granahan Small Cap Focused Growth Strategy
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Focused Growth Composite Trailing Period Returns 4Q25 - Annualized				
	4Q25	1-Yr	5-Yr	10 Yr
GIM SC Focused Growth Composite – Net	**-10.2%**	**1.6%**	**-0.9%**	**17.8%**
Russell 2000 Growth Index	1.2%	13.0%	3.2%	9.6%

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 Cap Focused Growth Composite has had a performance examination for the periods January 1, 2012 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 Focused Growth product utilizes fundamental, bottom-up research and analysis to invest in companies in the small cap sector of the market that exhibit sustainable high earnings growth, with a focus on the technology services, internet, consumer, and business services sectors. The benchmark for the Small Cap Focused Growth product is the Russell 2000 Growth. The composite was created in December 2011 and the inception date is July 31, 2007 and is calculated by asset-weighting the performance of each account on a monthly basis. The composite includes returns from the portfolio manager's prior firm, from inception of August 1, 2007 through December 31, 2011. 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 July 1, 2016, 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. Effective January 1, 2021, the standard management fee of 1% per annum is applied to all accounts to calculate the net return. Beginning 10/31/12, net of fee returns were calculated using actual investment fees charged to the account. Prior to 10/31/12 and for accounts which pay no management fee, the standard management fee of 1% was applied to calculate the net return. The standard fee for accounts managed in the Small Cap Focused 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.