



## FOCUSED GROWTH

### Portfolio Comments

June 30, 2025

In Q2 of 2025, the [Granahan Focused Growth](#) portfolio returned 27.9%, significantly outperforming the Russell 2000 Growth benchmark's return of 12.0%. From the trough during the early April "tariff tantrums", the market rose sharply as investors looked through tariff concerns. The strong relative performance of the Focused Growth portfolio was broad-based and primarily driven by stock selection. In terms of sectors, the strongest three contributions were from Technology, Financials, and Energy. The two detractors sector-wise were Real Estate and Utilities. Below I discuss the top three individual stock contributors and detractors to relative performance:

#### ***Q2 Largest Relative Contributors:***

- **Oddity Tech (ODD)** – Oddity is an online direct-to-consumer beauty and wellness company that uses AI to attract and retain customers, and to personalize targeted-molecule product recommendations. ODD shares rose +74%, contributing 355 basis points to performance. Q1 is a particularly important period for Oddity as the company gathers a large portion of its new customers during the quarter. Oddity reported strong Q1 results and updated 2025 guidance allaying heavy fears regarding consumer spending generally, and makeup specifically. Oddity remains one of the top positions in the fund, although we have modestly trimmed the position.
- **Circle Internet Group (CRCL)** – Circle is a digital financial services firm best known for issuing the USDC stablecoin. Circle had an exceptionally strong debut as a public company, having completed its IPO at \$31 per share in early June. We participated in the IPO and purchased additional shares in the aftermarket. From its IPO price, CRCL shares surged +485%, and the stock overall contributed 317 basis points to performance. We believe Circle is well positioned as the #2 stablecoin player, and the clear #1 of the stablecoin sponsors that embrace high transparency and regulatory compliance. We anticipate that the Genius Act, if it passes in its current form, is likely to further spur stablecoin adoption and the company's competitive position. We hold a slightly below average position.
- **Porch Group (PRCH)** - Porch provides homeowners insurance, software and other services for the residential housing market. PRCH shares rose +62% contributing 242 basis points to performance. Having finalized the separation of its insurance business



into a reciprocal exchange in Q1, Porch reported strong Q1 results and again raised guidance for the full year providing investors further confidence in the company's long-term model and profit potential. We continue to hold a large position.

### ***Q2 Largest Relative Detractors:***

- **Compass (COMP)** – Compass is a technology-rich residential real estate brokerage. Despite reporting strong Q1 results, COMP shares fell -28%, hurting performance by -143 basis points in Q2 amid rising concerns about mortgage rates and renewed pressure on residential transaction volumes. The company continues to gain share, largely due to its highly differentiated technology platform that improves agent efficiency and provides tools to enhance the experience for both home buyers and sellers. Given the significant macro headwinds, we are holding a slightly below average position in the name.
- **Genius Sports (GENI)** – Genius is a provider of real-time sports data and technology to sportsbooks, media companies, and leagues. GENI shares rose only +4% in Q2, lagging the benchmark and hurting relative performance by -56 bps as investors digested a merely in-line quarter amid elevated expectations. Business trends remain positive, and we have high conviction in the long-term story. GENI is a large holding, as we believe the risk/reward is compelling.
- **Life Time Group (LTH)** – Life Time is a premium fitness and lifestyle brand with approximately 180 club locations across the U.S. LTH shares were flat in Q2 detracting -42 bps from relative performance following management's cautious commentary on its Q1 earnings call regarding slower than usual new membership additions in April. Our analysis indicates April was an anomalous month, and we believe overall trends remain favorable for the business. We believe Life Time's customer value proposition remains very strong as is the company's business model and we maintain a roughly average-sized position.

### **An Exciting and Dizzying Pace of Change**

Amidst a highly uncertain and chaotic macro environment—which featured a new and very different US Administration, almost daily tariff policy changes, expanded warfare in the Middle East and persisting in Ukraine, anticipation/speculation regarding inflation, the rising US deficit, the US dollar, and interest rates--it is perhaps not surprising that the stock market experienced whiplash in Q2. The Russell 2000 Growth index fell -14% in the first 9 trading days, only to reverse sharply and gain +29% through the remainder of the quarter. This positive momentum has



continued into July as investors are currently choosing to view the glass half-full regarding AI adoption, GDP growth, tariffs...among other factors.

At the risk of using one of the most perilous phrases in investing, I am convinced that it is different this time. AI is the most transformative technology of our lifetimes. And, whether we'd choose it or not, and whether it is for better or for worse, AI, hyper-change, and hyper-speed are with us today and for the foreseeable future. So, we'd better get used to it. This all is tremendously exciting, even exhilarating...as well as a bit scary. We are analyzing, thinking about and factoring in AI from both an offensive (opportunities) and defensive (threats) perspective for every single investment we have or consider. As it relates to opportunities, they are as big and plentiful as any I've seen in my lifetime. One year ago (aka four years in AI time), I discussed in the Q2 2024 letter some similarities between investing in AI today and investing in the late 1990's during the early days of the Internet. I posited how both were hugely transformative and, in both cases the jury was very much still out on who the ultimate winners and losers would be. In the case of AI, for 2023 and much of 2024, investors focused almost exclusively on a small group of companies levered to the infrastructure-build of hyperscale AI data centers. But we have started to see the market broadening, examples being the portfolio companies Oddity and Circle cited above. It is also noteworthy that the Mag 7 rose just +8% in Q2, underperforming both the S&P 500 (+11%) and the Russell 2000 Growth (+12%).

Against this backdrop, investors have been buoyed by a significantly more pro-business and accommodating regulatory environment from the Trump Administration (with tariffs being a significant and noteworthy exception) regarding M&A, the renewal of the 2017 tax cuts, as well as Executive Orders reducing regulatory barriers, accelerating approval processes, and signaling federal support for artificial intelligence (AI), eVTOL aircraft, next-generation nuclear power, and digital assets such as stablecoins. This served as catalysts for several portfolio holdings in Q2. For example, Archer Aviation (ACHR) responded favorably to an Executive Order titled "Unleashing American Drone Dominance" directing the FAA and other agencies to streamline certification effectively fast-tracking the commercial readiness of eVTOL technology. Centrus Energy (LEU) responded positively to the "Reinvigorating the Nuclear Industrial Base" initiative, which provides accelerated licensing pathways for nuclear fuel production and federal support for fueling advanced reactors. Meanwhile, Circle Internet Group (CRCL) gained on the back of an Executive Order titled "Strengthening American Leadership in Digital Financial Technology," that promotes U.S.-dollar-backed stablecoins that creates a more stable regulatory framework for digital asset innovation.

We've also begun to see renewed life in both M&A and IPOs. On the M&A front, recently announced strategic acquisitions include Google's \$32 Billion purchase of Wiz, Salesforce acquiring Informatica, and Meta acquiring 49% of Scale-Ai. Private equity has also been more active, including 3G Capital buying Skechers, and Thoma Bravo's announcing its acquisition of



privately held Anaqua and its intention to acquire Olo (OLO). As for IPOs, some of the more high-profile recent offerings include Circle Internet Group (CRCL, see above), CoreWeave (CRWV), and Chyme Financial (CHYM). While there has long been a great number of companies hoping to go public (i.e., supply), the number of IPOs has until recently been curtailed both by the narrowness of the public markets and by valuation discrepancies between high-priced private rounds, and depressed public market valuations. While this hasn't been entirely corrected, the above regulatory factors, recent "risk-on" appetite, and importantly the entry of retail investors as a new and important source of demand, lead me to expect investment banks will attempt to serve up IPOs fast and furiously in Q3 as they are wont to do. This will likely persist until the after-market performance of such IPO's wane.

As discussed above, we are in a brave new world, and I suspect a heightened level of change and uncertainty is likely to persist for some time. At a high level, in a world of such rapid change and disruption, well positioned small-to-midsized companies often can disrupt, whereas many larger companies (Meta? Google? Apple?) face a classic innovator's dilemma and are in jeopardy of getting disrupted. As a reminder, the first part and a core tenant of the Focused Growth strategy is that we seek companies we believe have strong secular tailwinds. We call such companies "Desert-Island Worthy", because we believe if we were stranded on a desert island for 3, 5 or 7 years, these companies would be substantially larger entities when we returned. The remaining three parts to our process are: 1) a probability-weighted multi-year, multi-scenario expected return valuation methodology; 2) careful portfolio construction and allocation; and 3) risk management. I believe this philosophy and process is well-suited to most market environments, particularly higher volatility environments due to our adherence to a disciplined and repeatable process.

### **Some Content You Might Enjoy**

*Warning – Some lengthy political content coming – But first three worthwhile podcasts, each with a zoomed-out, longer-term lens:*

[Predicting the future Uncapped Podcast](#) with Jack Altman interviewing legendary Silicon Valley entrepreneur and venture capitalist Vinod Khosla. I found this interview, in which Khosla zooms out and takes a long-term view on the likely changes and opportunities from AI, a welcome and different perspective.

[Bill Gurley on Invest Like the Best](#) –Patrick O'Shaughnessy interviews Gurley who shares his thoughts on a wide range of topics from changes in the venture business, to the liquidity challenges of investing in private equity, to AI and a good deal more.



[Scott Galloway on The Twenty Minute VC](#) – As this letter was going to press, I couldn't resist adding this. Galloway is such an original thinker, and this interview is dense with great nuggets.

*OK, now to U.S. Politics and William Shakespeare*

Were Shakespeare alive today, I feel he'd be two-thirds through writing a three-act tragedy. The first act would feature Donald Trump—in a blend of Iago, Richard III, and Coriolanus—who surprisingly wins the throne in his first term, has a controversial reign, and a disastrous final act (January 6<sup>th</sup>) that makes one certain he's gone for good. The second act would center on the arc of another man. Joseph Biden, after a lifetime of effort, finally ascends to the throne, does some good, but in a tragic twist goes back on his word to be a one-term king and destines his legacy to be one which enables his predecessor's return.

I suspect Shakespeare would feel he'd have plenty to work with for act three. Six months into Trump's second term, as detailed above, there is a good deal to be excited about in the realm of AI and more--much of which is aided by actions the administration has taken to spur innovation and economic growth. However, alongside questionable and chaotic widespread tariffs, there are a number of other deeply concerning policies and behaviors likely to have grave and long-term implications for the rule of law, international alliances, and civil society. These include speaking and tweeting with arrogance and hatred, punitively attacking critics and perceived political enemies, demonizing and trying to take down Harvard University and other great institutions, confusion about how one should treat allies and foes, shutting down USAID which will likely result in millions of deaths ([see this WSJ Op-Ed by Bill Gates](#) trying to salvage this), demanding fealty from cabinet members, and threatening any GOP member of Congress with a primary challenge should they voice a dissenting opinion. And while we must have clear and consistently applied immigration laws, to see an engorged ICE terrorizing and detaining citizens, legal residents and even non-violent illegal residents is horrifying. This is not America, and by the way, [recent Gallup polling shows that most Americans want pathways to citizenship and less enforcement](#).

There are two books about the first couple of parts of the Shakespearean tragedy in which we find ourselves. Each is meticulously researched and well written and together they detail two of our democracy's dark moments. I wish they were mandatory reading for every American voter:

[Oath and Honor](#), Liz Cheney's book about the events before, during and after the heinous attack on the Capitol on January 6, 2021.

[Original Sin: President Biden's Decline, Its Cover-Up, and His Disastrous Choice to Run Again](#) – If you haven't read Jake Tapper and Alex Thompson's book but think you know



how unfit Biden was towards the end of his presidency (let alone the condition he'd have been in for a second term) or the extent his family and inner circle went to cover up his state...you don't. It is a very sad chapter in our nation's history. Perhaps not quite as bad as Jan 6<sup>th</sup>, but pretty darn close.

Finally, here are a book and a video reminding us of what other brands of leadership can look like.

[A Different Kind of Power](#) – This autobiography by former New Zealand Prime Minister Jacinda Ardern is aptly titled. Ardern shares how she led New Zealand through both good and very difficult times with kindness, strength and empathy, and caring for the entire population of the nation.

[Barack Obama at The Connecticut Forum](#) – In the early 1990's I was fortunate to be part of a group that formed [The Connecticut Forum](#) with a mission of bringing live, unscripted and inspiring conversations to Hartford. Thirty-four years and 141 forums later, the Forum is a vibrant pillar of the community. This appearance by Obama at The Forum on June 17, 2025 (only his second interview since the November 2024 election), is well worth watching. He shares his perspective on much of the current zeitgeist including dialing up the heat for all of us:

*"We now have a situation in which all of us are going to be tested in some way...and we are going to have to then decide what our commitments are. And it will be uncomfortable for a time. But that's how you know it's a commitment...because you do it when its hard. Not just when it's easy, not just when it's trendy, not just when it's cool"*

*President Barack Obama  
The Connecticut Forum  
June 17, 2025*



*My sister Eleni Beja had the honor of briefly meeting President Barack Obama on her birthday*



## Conclusion

As always, on behalf of the entire team at Granahan Investment Management, thank you for entrusting us with the management of your capital. Please note that our capital is invested alongside yours with conviction.

Sincerely,

A handwritten signature in dark ink, appearing to read 'A. Beja', with a stylized flourish at the end.

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