



## FOCUSED GROWTH

### Portfolio Comments

March 31, 2025

In the first quarter of 2025, the [Granahan Focused Growth](#) portfolio returned -10.8%, roughly in line with the -11.1% return of the Russell 2000 Growth benchmark. Entering 2025, there was general optimism that the economy was strong and that lower taxes and less regulation would lead to good returns in the stock market generally, and in small caps specifically. However, dramatic moves by the Trump administration have caused great uncertainty for both the economic and geopolitical outlooks. More on this later in this letter. First the quarter's attribution highlights.

### Attribution – Highlights and Lowlights

The quarter's relative outperformance was driven by stock selection. Below are the top contributors and detractors:

#### ***Q1 Largest Relative Contributors:***

- **Porch Group (PRCH)** - Porch provides homeowners insurance, software and other services for the residential housing market. PRCH shares rose +46% contributing 147 basis points to performance. The company completed its long-awaited transition to a reciprocal structure by selling Homeowners of America to the Porch Insurance Reciprocal Exchange (PIRE), a policyholder-owned entity, which will operate the business separately. This should significantly enhance and smooth the company's earnings going forward. Porch also posted strong Q4 results and raised its 2025 EBITDA guidance. We continue to believe that the company's prospects are good, the stock's risk/reward is attractive, and we hold a mid-sized position in PRCH shares.
- **Genius Sports (GENI)** - Genius Sports provides real-time sports data and other services to online sports books, broadcaster networks, sports leagues, and advertisers. GENI shares rose +15 in Q1, contributing +142 basis points to performance. The company reported strong Q4 results and issued initial 2025 guidance above Street consensus. We maintain a large position in GENI shares.
- **Compass Inc. (COMP)** - Compass Inc. is the nation's leading residential housing broker. COMP shares gained +50% and contributed 117 basis points in Q1. This sharp move followed stronger-than-expected Q4 results and several new product announcements which provide evidence that Compass' recent market share gains and operating leverage should persist. We maintain a mid-sized position in COMP.



### **Q1 Largest Relative Detractors:**

- **indie Semiconductor (INDI)** - Designs and sells semiconductors for uses such as user experience, connected car (e.g., Apple CarPlay), and increasingly advanced vision and radar for driver assistance, autonomous driving, and driver monitoring. INDI shares fell -50% in Q1, hurting performance by -122 basis points. Although the company's backlog remains robust, the timing and slope of Indie's revenue acceleration continues to get pushed out--most recently due to the expected impact of tariffs on auto sales. We are maintaining our position in INDI shares, which is a below average weight.
- **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 -38%, hurting performance by -95 basis points, on fears that a consumer slowdown and tariffs would hurt the company's results. While we believe this will likely be the case, we have modestly added to the position as we believe that Kornit is poised to benefit from both near-shoring and on-shoring due to the cost-effectiveness and quality of the company's new printers. We currently have an above average-sized holding in KRNT shares.
- **Kura Sushi (KRUS)** - Kura operates a chain of 75 revolving sushi bar locations in the U.S. KRUS shares fell -43%, detracting -76 basis points from performance on fears of a consumer slowdown and the impact of tariffs. While we continue to like the differentiated model and the potential, we have trimmed the position and currently hold a below average-sized holding.

### **Uncertainty Reigns**

After a tough close to Q1, the stock market has continued to decline. The cause of this carnage is an unprecedented series of aggressive moves by the current U.S. administration which have left investors, enterprises, and consumers feeling uncertain, unsettled, and cautious. Of these moves, tariffs are getting the most financial press. These are significant and widespread enough that the tariffs themselves might be enough to cause a recession. On top of this, the feared impact of tariffs has been exacerbated by: a) The reckless and chaotic manner in which the tariffs are being announced and implemented; b) A wide range of other moves made by the new administration which extend well beyond economics and which many both in the U.S. and abroad find deeply unsettling; and c) The ripple effects all this is having on the bond market, and specifically U.S. Treasury bonds, which threaten to exacerbate the negative impact of the above. Together, all this has created great economic and geopolitical uncertainty. In times of uncertainty, investors demand higher returns to place capital at risk. We are seeing this today.



## **Paraphrasing Mark Twain: Uncertainty Doesn't Repeat Itself, but it Does Rhyme**

While we've not experienced this exact set of circumstances before, we have experienced other unprecedented times--the 1987 Stock Market Crash; the Dot.com boom and bust; 9/11; the global financial crisis; the pandemic. These periods were characterized by great uncertainty. The current moment strikes me as similar. That said, often, though not always, such moments prove in hindsight to mark market lows--investors often capitulate during times of maximum uncertainty. Of course, there is no telling when or even if that will prove to be the case in this instance, but history suggests that the U.S. market is resilient and will eventually recover. In the meantime, we continue to adhere to the Focused Growth investment philosophy and process which we believe to be sound and has been battle-tested through a wide range of markets and crises since its inception in July of 2007. As a reminder, there are four steps to the Focused Growth process:

1. Identify "desert island worthy" companies--i.e., Companies that if we were on a desert island for 5-7 years would be much larger when we came back.
2. Follow to a strict valuation framework centered on probability-weighted expected return and risk/reward.
3. Careful portfolio construction and allocation.
4. Risk management.

Having a clear focus regarding the types of companies we seek, as well as a tight process and discipline around valuation, are always beneficial, but particularly so during periods of extreme volatility. At the same time, we recognize there are always circumstances unique to the current situation which require certain considerations and present both challenges and opportunities. For example, from a downside risk perspective, we've been stress-testing our holdings in terms of tariff and macro sensitivity. We've been actively reviewing which companies have real exposure to tariff risk, directly or indirectly, and making minor adjustments. In general, we tend to be invested in companies with minimal exposure to China. On the offense side, we've been monitoring positions and reviewing the desert island companies whose stocks have been beaten up, adding to those which look compelling from an expected return standpoint. Historically, we have been able to use such dislocations to sow the seeds of future alpha. I am optimistic that this volatility too can be harnessed into long-term value creation.

## **Content: Going All-in on an Abundance of Podcasts in this Turbulent Time -- And What About Her E-mails?**

### ***A Few Podcasts:***

I generally listen to a great many podcasts. I'm doing even more during this turbulent period with a special emphasis on listening to a wide range of viewpoints. In that light, below are some I'd recommend. Apologies for the abundance of content, but these times sure are a changin' and so be it.



- [Former Senator Al Franken interview with Atul Gawande on the Destruction of USAID](#).  
Gawande walks through the cost-effectiveness of USAID in saving lives, eradicating diseases such as measles, TB, malaria, and HIV, and winning hearts and minds throughout the world, as well as the devastating impact of DOGE shutting it down.
- The *All-In* Podcast - Interviews with:
  - [U.S. Treasury Secretary Scott Bessent](#) & [U.S. Commerce Secretary Howard Lutnick](#) - Good interviews with these two cabinet secretaries of the Trump administration which are helpful to understand what the administration is thinking and why.
  - ["The Great Debate"](#) - This is a must-listen podcast in which All-In regulars David Sacks (who is now Trump AI and Crypto Czar) and venture capitalist Chamath Palihapitiya square off with former Harvard University President and Treasury Secretary Larry Summers and author and political commentator Ezra Klein.
- I find Ezra Klein to be especially thoughtful and worth the time. Two other pieces of his are:
  - [Abundance](#) - Klein's new book co-authored by Derek Thompson. A critique of how we got here, and a plan for moving forward and the potential rewards of doing so by unleashing the benefits of improving the supply side of the equation, in such important areas as housing, education, energy, and healthcare. This quote from the book captures much of its essence: "Over the course of the twentieth century America developed a right that fought the government and a left the hobbled it. Debates over the size of government obscured the diminishing capacity of government. An abundance of consumer goods distracted us from a scarcity of homes and energy and infrastructure and scientific breakthroughs".
  - [The Ezra Klein Show - Interview with Peter Orszag](#) - Chairman/CEO of Lazard and former Director of the Office of Management and Budget under President Barack Obama. This interview provides good clarity and context of the many and complex ripple effects of the current tariff and trade policies being undertaken.
- California Governor Gavin Newsom interviews - Recognizing that Newsom likely has political (remaking his image) reasons for doing so, I nonetheless am finding his new podcast series well worth the time. He has already interviewed a wide range of figures, including perhaps surprisingly:
  - [Steve Bannon](#) - Host of *War Room* Podcast and former Trump White House chief strategist
  - [Charlie Kirk](#) - Grassroots activist and host of the conservative podcast *The Charlie Kirk Show*
- One Op Ed Article:
  - [Former U.S. Secretary of State Hilary Clinton](#) points out the stupidity and hypocrisy (recall the 2+ year hullabaloo over Clinton's emails before and during



the 2016 presidential campaign?) around both the "Signal Group Chat" event and the short-sighted nature of the U.S. retreat from diplomacy and foreign aid.

## Conclusion

We appreciate that these are unsettling times, and that asset allocation is especially challenging in such times. Please know that we are always happy to speak with you directly if you have questions or would like to dive deeper into what we're seeing and doing. Don't hesitate to reach out to our client service team. On behalf of the entire team at Granahan Investment Management, I thank you for your trust and partnership. As a reminder, our capital is invested alongside yours with conviction.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Beja", written in a cursive style.

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