



WASATCH SELECT STRATEGIES

Global Mid Caps

Finding Small-Company- Type Characteristics—With Less Risk—Higher Up on the Market-Cap Spectrum

JANUARY 31, 2020

BACKGROUND: QUALITY AND PERFORMANCE

At Wasatch Global Investors, we got our start managing U.S. micro- and small-cap strategies. We've since expanded into international developed markets and emerging markets. Moreover, we've historically had quite a bit of success in these areas.

One of the interesting observations we've made over the years—both in the U.S. and internationally—is that high-quality characteristics often persist in companies even after they begin to move beyond the realm of small caps. In addition, due to somewhat inefficient pricing but still reasonable liquidity, we've found there are

Six Key Characteristics of the Wasatch Select Strategies

- 1 Target mid-cap companies (approximately \$3 billion to \$30 billion) with outstanding growth potential.
- 2 Use extensive, fundamental due diligence to find great companies.
- 3 Travel frequently to understand companies and markets on their home turf.
- 4 Own high-quality companies that possess identifiable, sustainable competitive advantages.
- 5 Concentrate investments in about 20 to 40 stocks.
- 6 Offer broad diversification among countries and sectors.

frequently good investment opportunities in these companies even to the point of reaching mid-cap status.

To put our in-depth knowledge to good use in companies that have moved beyond the small-cap realm into the mid-cap range, we developed the Wasatch Select strategies for the advantages we believe are available to clients. Our **Global Select strategy** primarily invests in U.S. and international mid caps. The **Wasatch International Select strategy** seeks mid caps outside of the U.S. with a focus on developed markets. And our **Emerging Markets Select strategy**, as its name implies, mainly invests in mid-cap companies in emerging markets. Since the Wasatch Emerging Markets Select strategy has been in existence for several years and is more well-established, this white paper focuses mostly on our newer Global Select and International Select strategies. In the following discussion, we refer to **“global mid caps,”** which as mentioned above, include international as well as U.S. mid-cap companies.

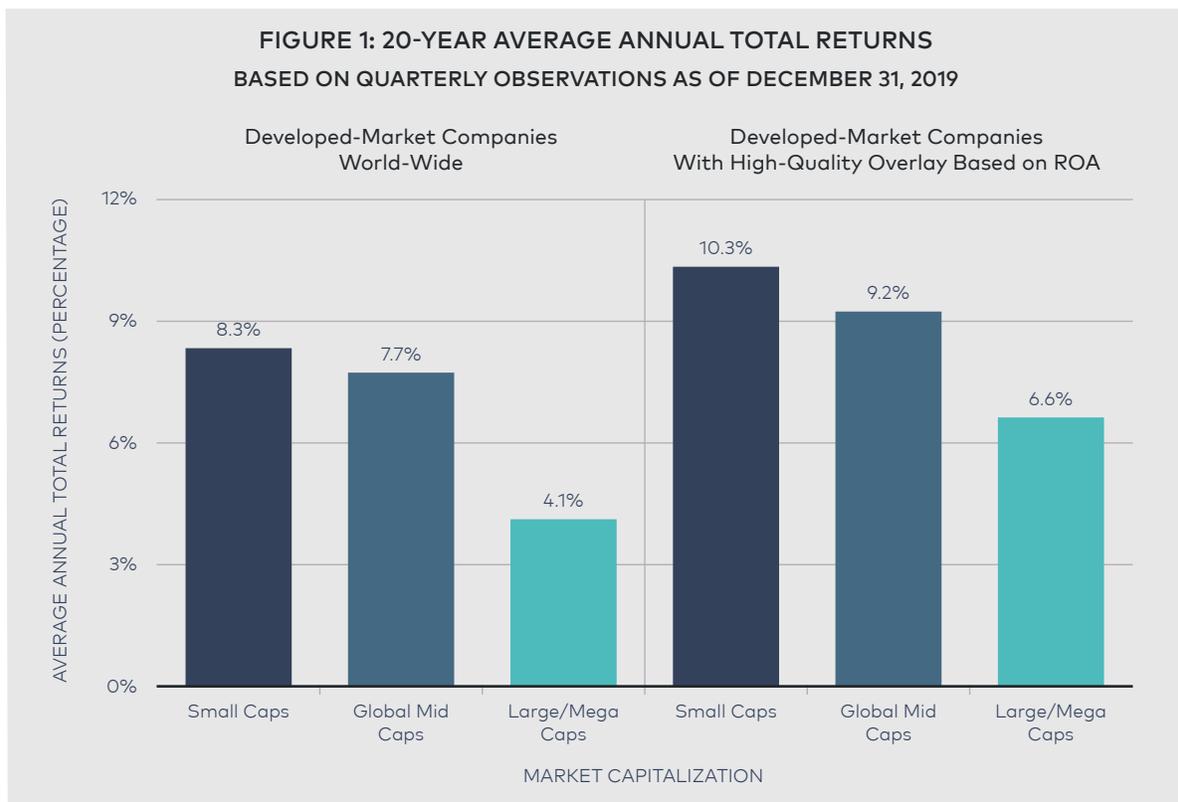
To begin to get an idea of why we find the universe of *global mid caps* so attractive, consider **Figure 1** below. The bars on the left indicate the 20-year average annual total returns (based on quarterly observations) as of December 31, 2019 for the investment universe and market-capitalization ranges defined below. The bars on the right indicate calculations using companies in the first

and second quintiles based on return on assets (ROA), which is an important measure of quality. As you can see, *global mid caps* (described in the next section) generated performance approaching that of small caps—but with less risk. And the high-quality overlay based on ROA increased performance across all market capitalizations.

A UNIQUE INVESTMENT UNIVERSE: GLOBAL MID CAPS

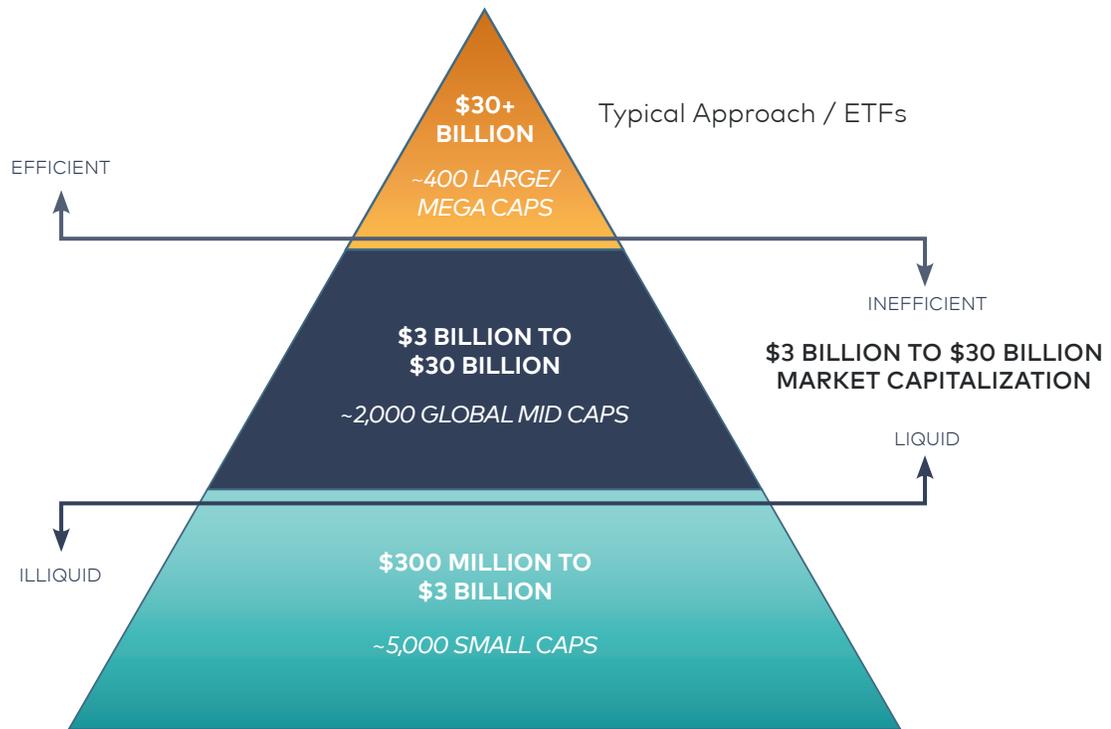
In the market-capitalization range between the higher end of small cap and the lower end of large cap, we categorize companies as **“global mid caps.”** As depicted in **Figure 2** on page 3, *global mid caps* include U.S. and international companies. Thus, *global mid caps* encompass non-U.S. companies held in our International Select strategy as well as the U.S. and international companies held in our Global Select strategy. We believe these *global mid caps* are at the intersection of inefficiency and liquidity on world-wide stock exchanges.

So, what do we mean by the higher end of small cap through the lower end of large cap? We define this *global mid cap* range as companies with market capitalizations from \$3 billion to \$30 billion—which is a range not typically



Source: FactSet. Past performance is not indicative of future results.

**FIGURE 2: GLOBAL MID CAPS
INTERSECTION OF INEFFICIENCY AND LIQUIDITY**



Source: FactSet.

considered as a category by the investment community, but is where we tend to find some of the best opportunities from a risk/reward perspective.

HIGH QUALITY DEFINED

When investing in small caps, high quality is often defined as companies having excellent management, unique products or services, and significant headroom to gain market share. Unfortunately, many small companies are less well-capitalized and are more vulnerable to competitive threats than larger companies.

Global mid caps, on the other hand, often have some characteristics that are similar to small caps—but generally entail less risk. For example, **Figure 3** on page 4 depicts sales growth for the one-year period ended December 31, 2019 for *global mid caps* at 11.5%, which was relatively close to 13.8% for small caps and considerably better than 7.8% for large/mega caps. At the same time, in terms of business sustainability, *global mid caps* had an average ROA as of December 31, 2019 of 4.2%, which was not far from the 5.9% for large/mega caps and much healthier than the 0.5% for small caps.

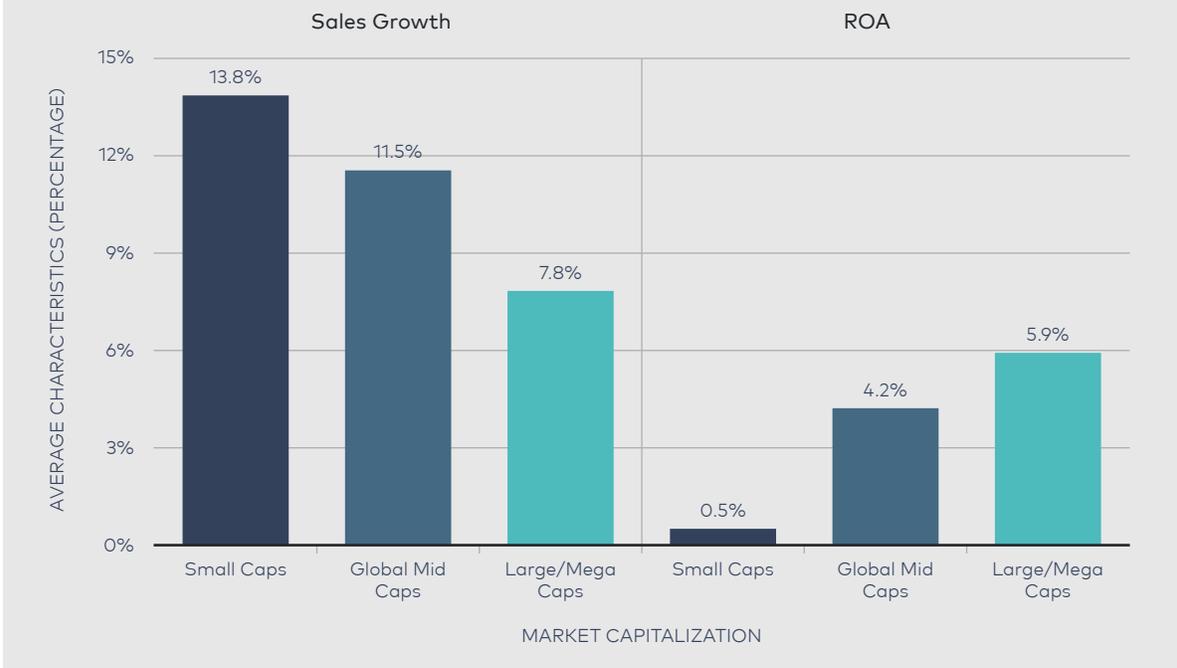
For the analyses of sales growth and ROA, the total universe is all companies in developed markets world-wide, including the United States. *Global mid caps* range from \$3 billion to \$30 billion in market capitalization, and the universe is comprised of over 2,000 companies. Small caps are greater than \$300 million and less than \$3 billion, with the universe comprised of almost 5,000 companies. Large/mega caps are greater than \$30 billion, and the universe is comprised of fewer than 400 companies.

VOLATILITY: ANOTHER MEASURE OF RISK

While we consider the ongoing viability of a company's business to be the primary measure of risk, many investors look at standard deviation as an indicator of volatility. On this basis, **Figure 4** on page 4 shows that *global mid caps* had an annualized standard deviation (based on daily observations) for the one year ended December 31, 2019 of 28.1%, which was significantly less than 37.5% for small caps and only somewhat higher than 22.7% for large/mega caps.

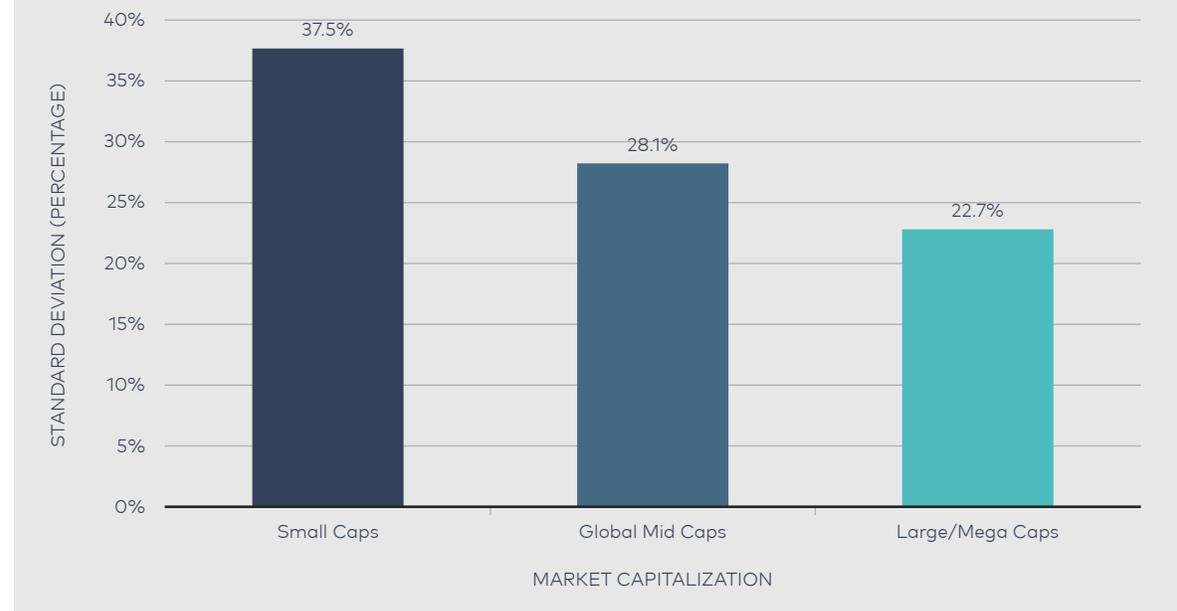
FIGURE 3: AVERAGE CHARACTERISTICS BY MARKET CAPITALIZATION FOR DEVELOPED-MARKET COMPANIES

FOR THE ONE YEAR ENDED DECEMBER 31, 2019



Source: FactSet. Past performance is not indicative of future results.

FIGURE 4: VOLATILITY AS INDICATED BY ANNUALIZED STANDARD DEVIATION BASED ON DAILY OBSERVATIONS FOR THE ONE YEAR ENDED DECEMBER 31, 2019

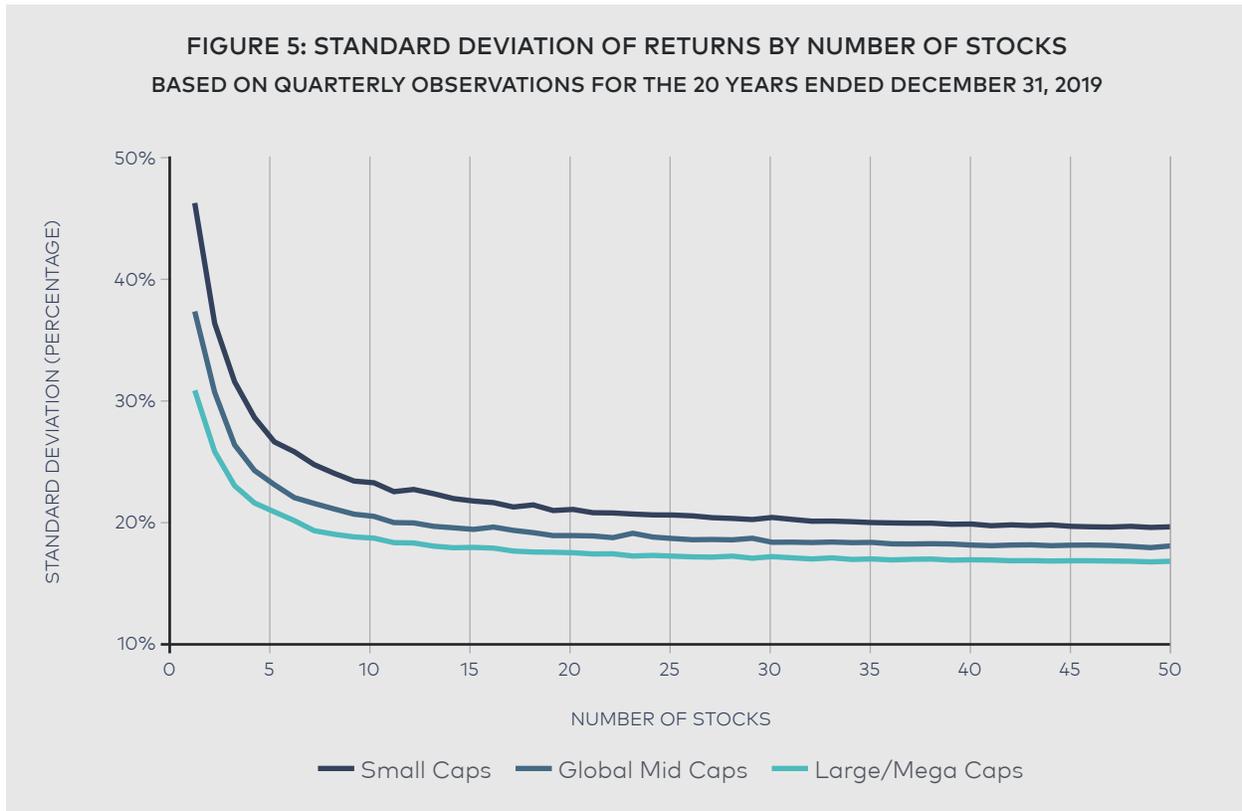


Source: FactSet. Past performance is not indicative of future results.

When combined in a portfolio, volatility drops even further. As you can see in **Figure 5** below, which was generated from quarterly observations over the 20 years ended December 31, 2019, a portfolio of about 30 stocks generally achieved a reasonably low standard deviation—and more stocks beyond that probably aren't necessary to reduce risk. As expected, the lowest standard deviations were achieved

by large/mega caps and the highest by small caps, with *global mid caps* right in between.

Based on this research of volatility and our desire to invest in our most favored companies, the **Wasatch Global Select**, **Wasatch International Select** and **Wasatch Emerging Markets Select** strategies are generally invested in about 20 to 40 mid-cap stocks.



Source: FactSet. Past performance is not indicative of future results.

QUALITY AND PERFORMANCE TEND TO PERSIST

Now that we've established the likelihood of *global mid caps* having high-quality characteristics, it's important to show that these characteristics tend to persist over time and that they might have something to do with attractive performance in the stock market on an absolute basis—not just relative to volatility.

As mentioned above, one of the most important indicators of quality is ROA. **Figure 6** on page 6 depicts the five-year persistence of ROA. Rolling five-year periods with quarterly observations over the 20 years ended December 31, 2019 were used in the analysis. Among *global mid caps*, 64.2% of the companies that started out in the top two quintiles based on ROA also ended the five years still in the top two quintiles. This is a strong indicator of staying power.

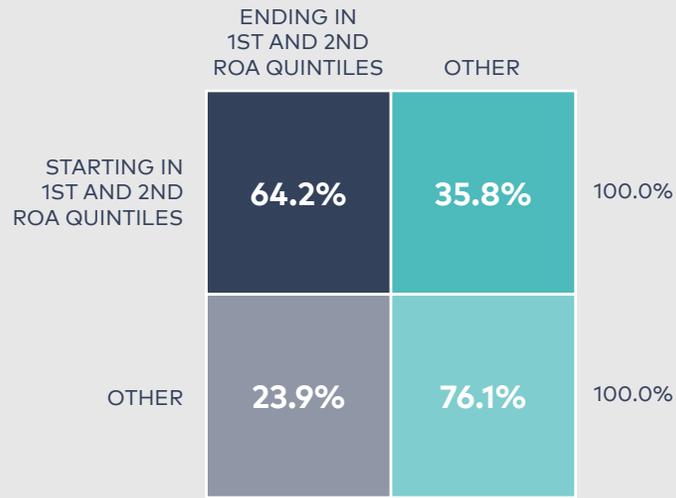
By contrast, of the companies that did NOT start out in the top two quintiles based on ROA, only 23.9% ended the five years having moved into the top two quintiles.

As for stock-market total returns, of the entire performance generated by *global mid caps* for the rolling five-year periods, **Figure 7** on page 6 illustrates that 64.3% came from companies ending in the top two ROA quintiles and 35.7% came from companies ending in the bottom three ROA quintiles.

What this means from a portfolio-management standpoint is that if we invest in companies that start in the top two ROA quintiles, there's a strong likelihood these companies will maintain their ROA advantage. And that gives a portfolio of such companies a potential leg up in terms of performance on a total-return basis (stock-price change plus dividends).

**FIGURE 6: FIVE-YEAR PERSISTENCE OF QUALITY AMONG GLOBAL MID CAPS
BASED ON ROA QUINTILES**

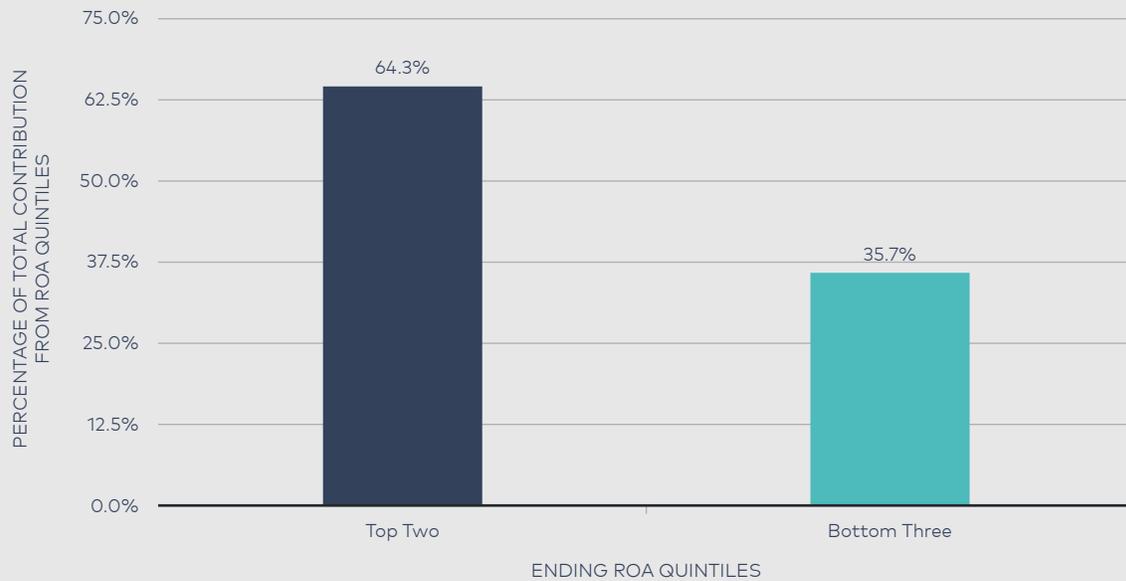
ROLLING FIVE-YEAR PERIODS WITH QUARTERLY OBSERVATIONS
FOR THE 20 YEARS ENDED DECEMBER 31, 2019



Source: FactSet.

**FIGURE 7: CONTRIBUTION BY FIVE-YEAR ENDING ROA QUINTILES
AMONG GLOBAL MID CAPS**

ROLLING FIVE-YEAR PERIODS WITH QUARTERLY OBSERVATIONS
FOR THE 20 YEARS ENDED DECEMBER 31, 2019



Source: FactSet. Past performance is not indicative of future results.

THE WASATCH APPROACH TO GLOBAL MID CAPS: CONCENTRATED—BUT STILL DIVERSIFIED— STRATEGIES OF HIGH-CONVICTION HOLDINGS

As described previously, we got our start at Wasatch Global Investors managing micro- and small-cap strategies. When we found that quality and performance tend to persist over time, we identified a select, concentrated group of our best-in-class global companies that we knew extremely well and that we wanted to own longer—often significantly past the point at which most small-cap portfolio managers are forced to sell due to market-capitalization constraints.

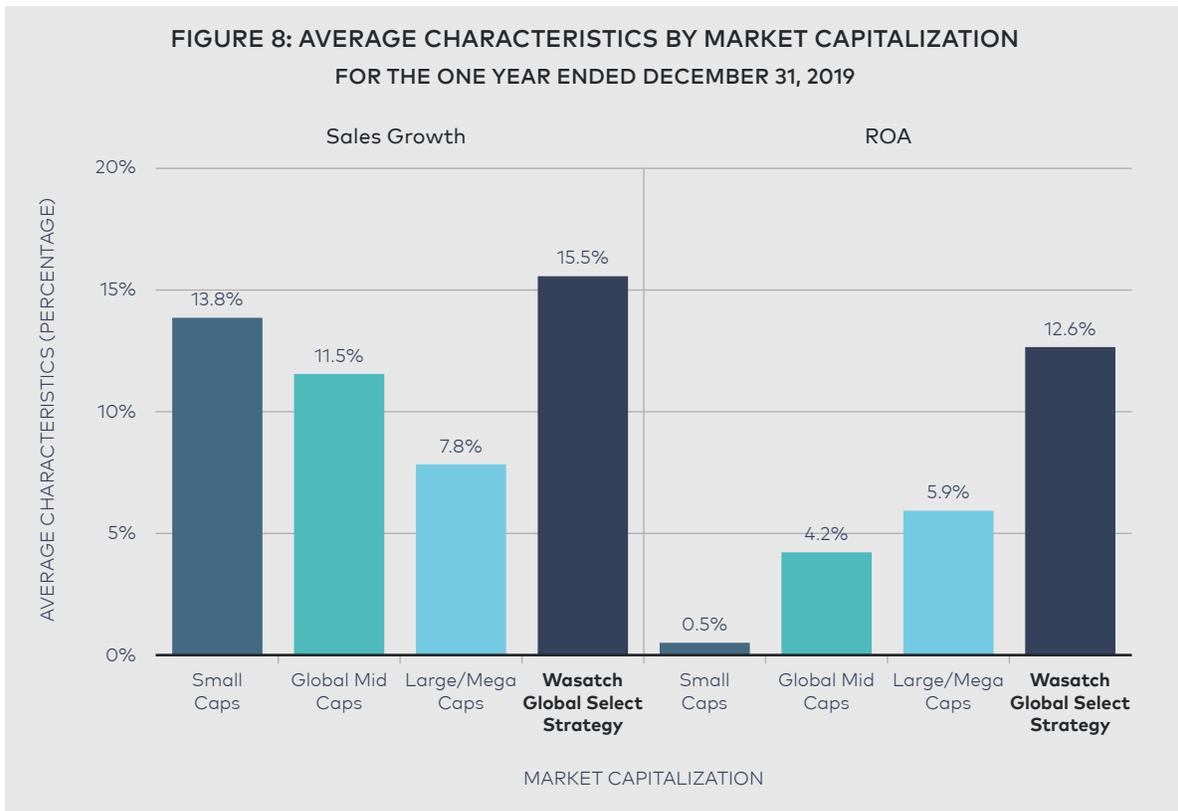
We determined there’s a deep and diverse pool of these high-quality **global mid caps** that are generating good sales growth, that have solid ROAs and that have the potential to generate attractive total returns for their shareholders.

As discussed earlier, to capture the advantages of investing in **mid caps** for Wasatch clients, we started three strategies—**Global Select, International Select** and **Emerging Markets Select**. Each strategy holds about 20 to 40 outstanding companies that we think will grow faster and longer than generally anticipated and have the potential to

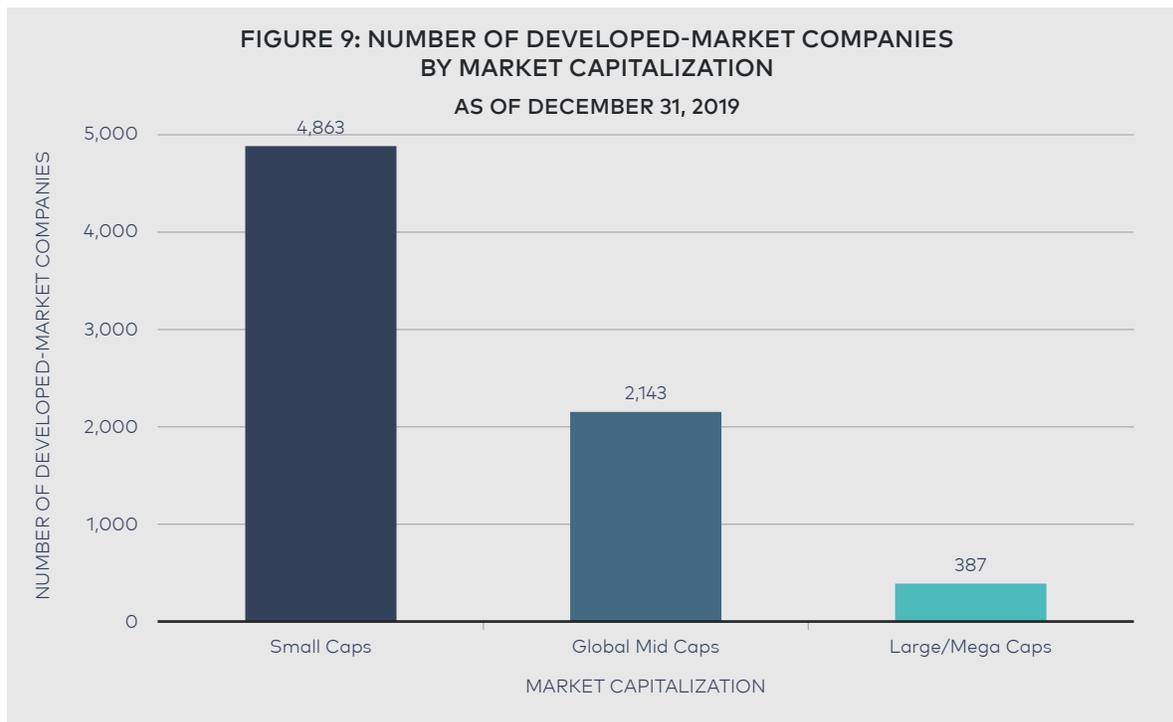
become tomorrow’s large/mega-cap leaders world-wide. We like to say these are “growth” companies that are developing into truly “great” companies.

Figure 8 below depicts the same December 31, 2019 one-year characteristics as illustrated in **Figure 3** for **global mid caps**, small caps and large/mega caps. Also included in **Figure 8** are the characteristics for a representative Wasatch Global Select account. As you can see, the Wasatch Global Select strategy compares very well based on sales growth and looks extremely attractive based on ROA.

Moreover, compared to the large/mega-cap-dominated MSCI ACWI (All Country World Index), the Wasatch Global Select strategy had a three-year beta as of December 31, 2019 of only 1.04. This is a welcome indication of more diversification and less risk than one might expect in a concentrated portfolio of dynamic, growth-oriented companies. For context, as of December 31, 2019, the MSCI Index had a weighted average market capitalization of \$165.3 billion—while the Wasatch Global Select strategy was at \$16.6 billion.



Source: FactSet. Past performance is not indicative of future results.



Source: FactSet.

THE OPPORTUNITY SET SUMMARIZED

One reason we're so excited about *global mid caps* is that the opportunity set is so expansive—which makes it a good place to focus our investment research. As already discussed and as shown in **Figure 9** above, among developed markets world-wide, there are over 2,000 *global mid caps* ranging from \$3 billion to \$30 billion in market capitalization.

By comparison, there are almost 5,000 small caps above \$300 million and less than \$3 billion in market capitalization. However, we believe many of the small caps are unproven and/or are of lower quality. On the other end of the spectrum, there are fewer than 400 large/mega caps above \$30 billion. These companies typically have what we consider to be inferior growth prospects relative to smaller companies and are more efficiently priced on world-wide stock exchanges.

Other attractive features of many *global mid caps* are:

- Proven business models and management teams
- Companies in the "executing on a plan" phase, which tends to be a lower-risk phase because business models and management teams have already been tested
- Great corporate cultures
- Exposure to diverse companies, industries, sectors and countries around the world
- Headroom for ongoing, robust sales growth
- Healthy ROAs
- Strong free cash flows

- Somewhat inefficient equity pricing with significant opportunities to create alpha
- Reasonable volatility in stocks
- Ability to combine less-correlated holdings to produce attractive risk/reward characteristics
- Good diversification is achievable with a concentrated portfolio of high-conviction names

THE WASATCH ADVANTAGE

Having shown that *mid caps* comprise a compelling pond to fish in and that our Wasatch Select strategies—**Global Select**, **International Select** and **Emerging Markets Select**—contain what we think are some of the best companies around the world, it's important for us to communicate why we at Wasatch Global Investors believe we're so well-suited to investing in this area. The basic reason is that, as micro- and small-cap portfolio managers, we have a long history of following companies that go on to become the mid caps and large/mega caps of the future. Just as important, we have a sense of the type of companies that never make it to the big leagues.

At Wasatch, we travel the globe meeting with the management teams of more than a thousand companies every year. Over time, we've seen hundreds of companies that have been able to double in size again and again. We understand the types of business models, competitive

advantages and management teams that make such growth possible. More specifically, we know many of the companies and their leaders firsthand, which could give us a sense of whether or not there are numerous good years of growth ahead. We also know why certain companies hit a wall in their development—and who or what was responsible for that failure.

Portfolio managers who specialize in large/mega caps, by comparison, are likely to have less experience with high-growth companies. For example, a large/mega-cap manager who's analyzing a mid-cap company may be looking at the company for the first time. We, on the other hand, likely have followed that same company in real time through its early development—and if not, we've undoubtedly followed similar companies.

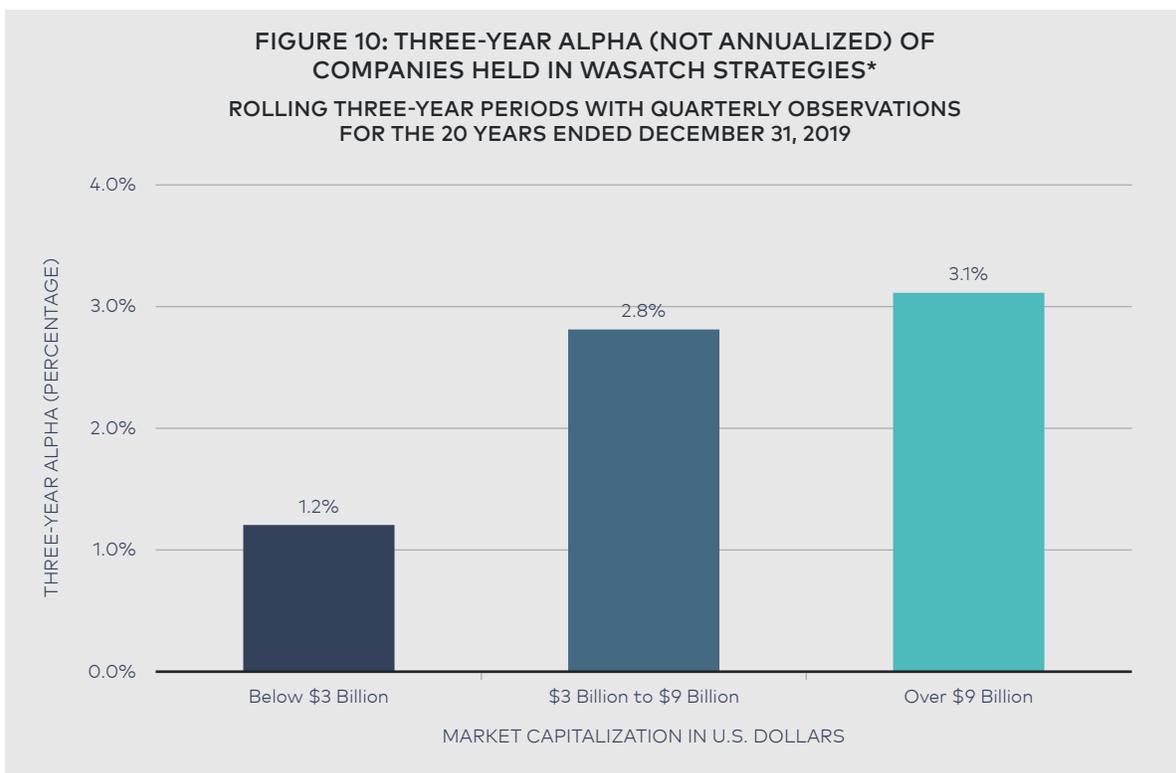
So, while we may not have a competitive research advantage in mega-cap companies that have been very big for many years, our dedicated, systematic investment process and our databases of proprietary research certainly give us an advantage in the realm of companies from the small-cap stage all the way through the lower end of the large-cap stage—and that's exactly the focus of the **Wasatch Global Select**, **Wasatch International Select** and **Wasatch Emerging Markets Select** strategies.

PERFORMANCE OF WASATCH HOLDINGS

Although the Wasatch Emerging Markets Select strategy has been in existence since 2012, the Wasatch Global Select and Wasatch International Select strategies are relatively new. To get a sense of how Wasatch holdings in general have performed, we looked at rolling three-year periods with quarterly observations for the 20 years ended December 31, 2019. For this analysis, we included all stocks held by the Wasatch International Small Cap Growth, Wasatch Small Cap Core Growth and Wasatch Small Cap Growth strategies. The results are presented in **Figure 10** below.

What **Figure 10** shows is that when our holdings were below \$3 billion in market capitalization, they generated a three-year alpha of 1.2%. When they were between \$3 billion and \$9 billion in market capitalization, they generated a three-year alpha of 2.8%. And when they were over \$9 billion in market capitalization, they generated a three-year alpha of 3.1%. (Three-year alphas are not annualized.)

In other words, our holdings actually produced more alpha as they rose in market capitalization—which is another reason why we're so excited about the mid-cap companies held in the Wasatch Select strategies.



*All stocks held by the Wasatch International Small Cap Growth, Wasatch Small Cap Core Growth and Wasatch Small Cap Growth strategies.

Source: FactSet. Past performance is not indicative of future results.

SUMMARY

Wasatch Global Investors is committed to finding the most-promising companies in the world, wherever they may be. With over 40 years of experience as a small-cap oriented firm focused on high-quality, long-term growth, as well as a longstanding commitment to deep, thoughtful, in-house research, we believe Wasatch is uniquely positioned to find companies with solid fundamentals before they appear on the radar of the broader investing world.

To this end, we think our Select strategies employ a strong approach for targeting new opportunities that arise from inefficiencies in today's global equity markets. **Figure 11** below describes the three Wasatch Select strategies and their portfolio managers. The **Wasatch Global Select**, **Wasatch International Select** and **Wasatch Emerging Markets Select** strategies may be appropriate for investors seeking core exposure to world-wide markets or looking for a potentially high-alpha complement to their existing investments.

FIGURE 11: THREE WASATCH SELECT STRATEGIES

STRATEGY	GLOBAL SELECT	INTERNATIONAL SELECT	EMERGING MARKETS SELECT
REGIONS	U.S., Non-U.S. Developed and Emerging Markets*	Non-U.S. Developed Markets	Emerging Markets
MARKET CAP	Mid-Cap Focus ~\$3 Billion to \$30 Billion	Mid-Cap Focus ~\$3 Billion to \$30 Billion	Mid-Cap Focus ~\$3 Billion to \$30 Billion
HOLDINGS	~20 to 40 Stocks	~20 to 40 Stocks	Currently at ~40 Stocks
PORTFOLIO MANAGERS	Ken Applegate Ken Korngiebel Paul Lambert Linda Lasater Mike Valentine	Ken Applegate Linda Lasater	Ajay Krishnan, Lead Manager Scott Thomas Matthew Dreith

*For institutional investors who require no exposure to emerging markets, Wasatch also offers a developed markets-only version of its Global Select strategy, known as Global Select-Developed.

ABOUT THE PORTFOLIO MANAGERS



Ken Applegate, CFA, CMT
Portfolio Manager

25 / 5
Years of Experience / Years at Wasatch

Mr. Applegate is a Portfolio Manager, the head of international developed markets investing and a member of the global research team. He joined Wasatch Global Investors in 2014.

During more than two decades of investing, Mr. Applegate has focused exclusively on global small cap companies. His career began in 1994 in London, where he served as a financial analyst and later as a co-manager of a foreign exchange hedge portfolio for Refco. In 1996, he moved to the U.S. where he spent 11 years specializing in small cap investing for RCM and then Berkeley Capital Management. Later, he returned to his native New Zealand to join Fisher Funds as a senior portfolio manager, and was integral in launching and managing international small cap funds. In 2012, he moved back to the U.S. to launch the Pacific View Asset Management international small cap strategy.

Mr. Applegate completed his Bachelor of Management studies at the University of Waikato in New Zealand. He is also a CFA charterholder and a Certified Market Technician (CMT).

Ken enjoys cycling, surfing and snowboarding.



Matthew Dreith, CFA
Portfolio Manager

14 / 8
Years of Experience / Years at Wasatch

Mr. Dreith is a Portfolio Manager on the emerging markets research team. He joined Wasatch Global Investors as an Analyst in 2011.

Prior to joining Wasatch, Mr. Dreith worked as an investment analyst for the Time Value of Money L.P. in Austin, Texas as well as American Century Investments in Kansas City, Missouri. He also completed an investment analyst internship with Alchemy Capital Management in Mumbai, India.

Mr. Dreith earned a Master of Business Administration degree from McCombs School of Business at the University of Texas. He is also a CFA charterholder.

Matt is a native of Colorado, and has lived in Denmark and India. He enjoys traveling, pushing his limits with spicy food, and reading nonfiction and sci-fi.



Ken Korngiebel, CFA
Portfolio Manager

24 / 4
Years of Experience / Years at Wasatch

Mr. Korngiebel is a Portfolio Manager on the U.S. micro/small cap and global research teams. He joined Wasatch Global Investors in 2015.

Mr. Korngiebel's investment career has spanned decades, during which he has covered small, mid and large cap growth stocks across all sectors.

Prior to joining Wasatch, Mr. Korngiebel was a founder, partner and lead portfolio manager at Montibus Capital Management—a business backed by Stifel Financial Corp. At Montibus, he led a team of five investment professionals from 2006 to 2015, managing the firm's long-only small and SMID cap growth portfolios totaling \$1 billion in assets. Earlier in his career, he was a senior managing director and lead portfolio manager at Columbia Management Company—where he rebuilt a six-person investment team, implemented a new philosophy and process, and managed small, SMID and mid cap growth portfolios totaling \$2.6 billion in assets. His tenure at Columbia Management was from 1996 to 2006.

Mr. Korngiebel holds a Master of Business Administration from the Wharton School of the University of Pennsylvania, and a Bachelor of Arts in Economics and Spanish from Stanford University. He is also a CFA charterholder.

Ken has lived in Venezuela, Spain and Switzerland. He speaks Spanish, and his French is passable. He is also an avid skier, wine collector and struggling golfer.



Ajay Krishnan, CFA
Portfolio Manager

25 / 25
Years of Experience / Years at Wasatch

Mr. Krishnan joined Wasatch Global Investors in 1994 and serves on the Board of Directors. He is also a Portfolio Manager, the head of emerging markets investing and a member of the global research team.

Mr. Krishnan earned a Master of Business Administration from Utah State University, where he also worked as a graduate assistant. He completed his undergraduate degree at Bombay University, earning a Bachelor of Science in Physics with a minor in Mathematics.

Mr. Krishnan is a CFA charterholder and a member of the Salt Lake City Society of Financial Analysts.

Ajay is a native of Mumbai, India and speaks Hindi and Malayalam. He enjoys traveling and cycling. He is also a budding vintage-car enthusiast and an amateur horologist.



Paul Lambert
Portfolio Manager

20 / 19
Years of Experience / Years at Wasatch

Mr. Lambert is a Portfolio Manager on the U.S. small cap and global research teams. He joined Wasatch Global Investors as an Analyst in 2000.

Prior to joining Wasatch, Mr. Lambert worked for Fidelity Investments.

Mr. Lambert graduated from the University of Utah, earning a Bachelor of Science in Finance.

Paul is a Utah native who enjoys golfing, skiing and camping.



Linda Lasater, CFA
Portfolio Manager

19 / 13
Years of Experience / Years at Wasatch

Ms. Lasater is a Portfolio Manager on the international micro/small cap and global research teams. She joined Wasatch Global Investors as a Senior Analyst in 2006. She also completed a successful research internship with Wasatch during the summer of 2005.

Prior to joining Wasatch, Ms. Lasater worked as a project lead and systems analyst in the portfolio analytics group at AIM Investments, where she developed tools that enabled portfolio managers and analysts to make informed investment decisions.

Ms. Lasater earned a Master of Business Administration from the Tuck School of Business at Dartmouth. Earlier, she received a Bachelor of Business Administration in Management Information Systems from the University of Texas, where she was a chairperson and membership director of the Asian Business Students' Association. She is also a CFA charterholder.

Linda is conversational in Vietnamese and fills her free time learning new languages. She enjoys hiking, cycling and table tennis.



Scott Thomas, CFA
Portfolio Manager

14 / 7
Years of Experience / Years at Wasatch

Mr. Thomas is a Portfolio Manager on the emerging markets and frontier markets research teams. He joined Wasatch Global Investors as a Senior Analyst in 2012.

Prior to joining Wasatch, Mr. Thomas was a vice president at Morgan Stanley & Co. in New York City and worked in equity research for six years. He also worked in the M&A consulting group at KPMG LLP in San Francisco and New York.

In addition to CFA and CPA certifications, Mr. Thomas holds a Bachelor of Science in Accounting from Brigham Young University.

Scott has also lived in Madagascar and La Reunion, France. He speaks fluent French and has conversational knowledge of Malagasy. He enjoys traveling and is an avid golfer and sports fan.



Mike Valentine
Portfolio Manager

14 / 3
Years of Experience / Years at Wasatch

Mr. Valentine is a Portfolio Manager on the U.S. small cap and global research teams. He joined Wasatch Global Investors in 2016.

Since entering the asset-management business in 2005, Mr. Valentine has covered various sectors including health care, information technology and basic materials across all market capitalizations and geographies.

Prior to joining Wasatch, Mr. Valentine was a portfolio manager at Point72 in Boston where he led a team of analysts and managed a long/short fund focused on the technology and telecom sectors. Before Point72, he worked from 2005 to 2012 as an analyst and a portfolio manager at Fidelity Investments in Boston where he developed a technology-sector strategy for a group of diversified funds in addition to managing long-only sector portfolios.

Mr. Valentine holds a Bachelor of Arts degree in Computer Science from Amherst College in Amherst, Massachusetts.

Mike grew up in New England and remains a fan of his beloved Patriots.

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ABOUT WASATCH GLOBAL INVESTORS

Wasatch Global Investors pursues a disciplined approach to investing, focused on bottom-up, fundamental analysis to develop a deep understanding of the investment potential of individual companies. In making investment decisions, our portfolio managers employ a uniquely collaborative process to leverage the knowledge and skill of the entire Wasatch research team.

Wasatch Global Investors is an employee-owned investment advisor founded in 1975 and headquartered in Salt Lake City, Utah. The firm had \$20.8 billion in assets under management as of December 31, 2019. Wasatch Global Investors is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

RISKS AND DISCLOSURES

Investing in foreign securities, especially in emerging and frontier markets, entails special risks, such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus. Investing in small and micro cap funds will be more volatile and loss of principal could be greater than investing in large cap or more diversified funds.

Diversification does not eliminate the risk of experiencing investment losses.

An investor should consider investment objectives, risks, charges, and expenses carefully before investing. To obtain a prospectus, containing this and other information, visit wasatchglobal.com or call 800.551.1700. Please read it carefully before investing.

Information in this document regarding market or economic trends or the factors influencing historical or future performance reflects the opinions of management as of the date of this document. These statements should not be relied upon for any other purpose. **Past performance is no guarantee of future results, and there is no guarantee that the market forecasts discussed will be realized.**

Wasatch Global Select and Wasatch International Select strategies are new and have a limited operating history.

ALPS Distributors, Inc. is not affiliated with Wasatch Global Investors.

DEFINITIONS

Alpha is a risk-adjusted measure of the so-called "excess return" on an investment. It is a common measure of assessing an active manager's performance as it is the return in excess of a benchmark index or "risk-free" investment. The difference between the fair and actually expected rates of return on a stock is called the stock's alpha.

Beta is a quantitative measure of the volatility of a given stock relative to the overall market. A beta above one is more volatile than the overall market, while a beta below one is less volatile.

Correlation, in the financial world, is a statistical measure of how asset classes, securities, markets, or countries move in relation to each other.

Earnings growth is a measure of growth in a company's net income over a specific period, often one year.

Free cash flow is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures. It is the cash a company generates after spending the money required to maintain or expand its asset base.

The **MSCI ACWI (All Country World Index)** captures large and mid cap representation across 23 developed-market and 26 emerging-market countries. With 2,853 constituents, the index covers approximately 85% of the global investable equity opportunity set. You cannot invest in this or any index.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties or originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

Operating margin equals operating income divided by revenues, expressed as a percentage.

Return on assets (ROA) measures a company's profitability by showing how many dollars of earnings a company derives from each dollar of assets it controls.

Return on capital is a measure of how effectively a company uses the money, owned or borrowed, that has been invested in its operations.

Sales growth is the increase in sales over a specified period of time, not necessarily one year.

Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.

Valuation is the process of determining the current worth of an asset or company.

Wasatch Global Investors
505 Wakara Way, 3rd Floor
Salt Lake City, UT 84108

Financial Advisors
p: 800.381.1065
advisorservices@wasatchglobal.com

Institutional Investors
p: 800.381.1065
institutionalinfo@wasatchglobal.com

Individual Investors
p: 800.551.1700
shareholderservice@wasatchfunds.com