WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WALSX / Institutional WGLSX

Wasatch Long/Short Alpha Fund

DECEMBER 31, 2022

The Fund's Outperformance of The Benchmark Came From Favorable Stock Selections on The Long Side and From Particularly Advantageous Short Selling

FUND MANAGER

Mick Rasmussen, CFA
Lead Portfolio Manager

1 YEAR ON FUND / 8 YEARS AT WASATCH

OVERVIEW OF THE QUARTER

During the fourth quarter of 2022, the Wasatch Long/Short Alpha Fund—Investor Class gained 14.09% and outperformed the benchmark Russell 2500™ Index, which rose 7.43%. The Fund's outperformance of the benchmark came from favorable stock selections on the long side and from particularly advantageous short selling. More specifically, during the quarter's positive market environment, it was gratifying to see such a large portion of the Fund's return generated by short sales because shorts are often especially beneficial in a negative market environment.

At a broad level, the fourth quarter was characterized by high-quality companies seeing strength and by low-quality names experiencing weakness. Several indicators of high quality are mentioned below. As for

Data show past performance and is not indicative of future performance. Current performance may be lower or higher than the data quoted. For the most recent month-end performance data, visit wasatchglobal.com. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. The Advisor may absorb certain expenses, without which total returns would have been lower. Wasatch Funds will deduct a 2% redemption fee on Fund shares held 60 days or less. Performance data does not reflect this redemption fee or taxes. ***Total Expense Ratio: Investor Class—Gross: 4.96%, Net: 2.50% / Institutional Class—Gross: 4.06%, Net: 2.25%. The Advisor has contractually agreed to limit certain expenses to 1.75% for the Investor Class and 1.50% for the Institutional Class through at least 1/31/2023.***

signs of low quality, they include considerable debt, poor margins and insignificant or negative cash flows. Unlike earlier in the year, the fourth quarter's investment environment was constructive for the Fund because we own what we consider to be high-quality long positions and we sell short what we think are lower-quality names.

On the long side, the Fund was aided by our holdings in several industry groups including health care equipment & services, technology hardware & equipment and capital goods. At the other end of the spectrum, the Fund was hurt by our holdings in banks and software & services.

Among shorts, the Fund was aided by our positions in capital goods, health care equipment & services and automobiles & components. In contrast, the Fund was stung by our positions in software & services, household & personal products and diversified financials.

A "DIRECTIONAL APPROACH" TO LONG/SHORT INVESTING

We'd like to remind shareholders that the Wasatch Long/Short Alpha Fund takes a "directional approach," meaning we always have a bias toward greater long exposure than short exposure. As of December 31, the Fund's long exposure was about 110% and its short exposure was approximately -37%. We primarily hold small- and mid-cap companies, with our longs typically being somewhat bigger in market capitalization than our shorts.

Our long positions consist of companies we've selected based on bottom-up, fundamental research. We pick companies with high-quality characteristics including significant returns on capital, relatively low debt, great management teams that can navigate inevitable challenges, expanding market dynamics, and innovative products, services and business models.

Our short positions are arrived at through a multifactor quantitative model that includes momentum and valuation signals to determine which companies are conducive for short selling. Once short candidates are systematically identified, we leverage our qualitative expertise to further narrow down companies we believe can best complement our long positions.

In other words, we seek to put together the best combination of longs and shorts that will effectively reduce risk and keep the Fund's volatility much lower than that of the benchmark under most market conditions. In terms of the Fund's beta, our target is approximately 0.5. Over time, we'd consider our approach to be successful if we can keep the Fund's beta close to 0.5 and roughly match the return of the benchmark.

We launched the Long/Short Alpha Fund on October 1, 2021. In the 15 months since then, the Fund's average annual total return through December 31, 2022 was 2.23%. While this is a modest positive return, it compares very favorably to the benchmark Russell 2500's loss of -12.39%. Moreover, the Fund achieved its return with a beta of about 0.65—which indicates that the Fund's market sensitivity was only a bit higher than we'd like to see over time.

THE YEAR IN REVIEW

For much of 2022, the macro environment presented a hostile set of conditions for the Wasatch investment approach. Under more normal circumstances, companies that delivered strong sales growth and surpassed earnings estimates were typically rewarded with higher prices for their stocks. These are the types of companies Wasatch seeks to own on the long side. Historically, in both up and down market environments, such strong fundamentals tended to generate positive annual returns that reflected the future earnings power of the underlying businesses. Year in and year out, the Wasatch thesis that earnings drive stock prices generally held true.

However, this wasn't the case during most of 2022 when an inflationary environment benefited certain sectors—namely, energy and utilities—that largely produced the best returns in the market. At Wasatch, we're normally underinvested in these sectors because we believe they're predominately comprised of capital-intensive and undifferentiated businesses that usually don't fit well with our preference for dynamic, high-quality companies. Also, energy firms tend to carry significant debt and are often especially cyclical—with success generally linked to a single commodity that's beyond the control of management.

What distinguished 2022 from most of the past 20 years was the combination of sharply higher interest rates and inflation. Rising rates usually have an outsized impact on the stock prices of growth companies whose cash flows are typically weighted further into the future. For energy firms, the negative effects of higher rates were offset as inflation boosted the prices of their products. Utilities also held up well because they're essentially monopolies whose profitability is largely controlled by regulators. In other areas of the market, even strong and growing businesses saw their valuations suffer during much of 2022 as the Federal Reserve (Fed) hiked interest rates to combat inflation.

Toward the end of the year, however, the environment began to change in a way that favored our approach. As described more fully in the Outlook section below, we believe the benefits of high-quality growth companies will continue to assert themselves—especially if the economy slows.

LONG POSITIONS DURING THE QUARTER

Among long positions, a top contributor to Fund performance for the fourth quarter was Altra Industrial Motion Corp. (AIMC), which manufactures motion-control and power-transmission products for industrial applications. Altra's share price rocketed higher in October after the company agreed to be acquired by a larger competitor at a substantial premium to the then-current stock price. As a result, we exited our position in Altra.

Medpace Holdings, Inc. (MEDP) was also a contributor. The company is a contract-research organization that supplies clinical-development services to health-care firms. Shares of Medpace had languished for most of 2022 amid worries that a generally poor funding environment for the company's customers would impact operations. Medpace earns the majority of its revenues from small firms that find it more cost-effective and efficient to outsource the management of clinical trials necessary to bring products to market. Concerns eased in October when quarterly revenues and earnings at Medpace came in ahead of expectations. In addition, the company upped its full-year guidance for 2022 and issued a positive outlook for 2023.

A large detractor from Fund performance on the long side was Grid Dynamics Holdings, Inc. (GDYN). The company provides *Fortune 1000* businesses and other firms with a range of technology services—including consulting, software design, internet business development, cloud computing and legacy replatforming—and thus had benefited from the secular move toward digitalization. However, Grid has a significant number of employees in Ukraine. After a period of relative calm in major Ukrainian cities, escalating Russian attacks on power plants and other vital infrastructure have once again raised concerns. But we've been impressed by the ability of Grid's management to navigate these challenges over a difficult year, and we expect management will continue to find ways to thrive in the digitalization space—which we think will be resilient in the face of a potential recession. As such, we added to our position in Grid when the recent retracement in the stock price created an attractive buying opportunity.

Paylocity Holding Corp. (PCTY) was also a detractor. Paylocity is a good example of a company that's seen its stock price come under pressure in spite of strong fundamentals in the underlying business. Paylocity provides cloud-based payroll and human-resources software targeted at smaller firms. Although Paylocity's most recent earnings release contained an abundance of positive takeaways, the Fed's focus on the red-hot U.S. labor market as a source of inflationary pressures may have spooked some investors. Because a portion of Paylocity's pricing structure is tied to employee headcounts at customer firms, revenues are vulnerable to potential upticks in layoffs and attrition. Another factor may have been the interest Paylocity earns on the cash it holds for customers—which stands to diminish if the Fed cuts interest rates in response to a slowing economy in 2023 as some investors expect.

Our noteworthy buys of long positions included Inspire Medical Systems, Inc. (INSP), which develops minimally invasive solutions for patients with obstructive sleep apnea. The company has experienced strong demand for its products, which serve a previously unmet medical need. Inspire's management team has executed well, growing revenues at a rapid clip since the company's initial public offering in 2018. Most recently, Inspire reported year-over-year quarterly revenue growth of 77%, surpassing Wall Street estimates. Citing increased utilization at existing sites and the addition of new implanting centers, management raised its full-year revenue forecast and maintained margin guidance in the range of 83% to 85%.

Our major sales of long positions included the aforementioned Altra Industrial Motion Corp. We also sold Perdoceo Education Corp. (PRDO)—which offers a variety of bachelor, associate and non-degree programs, with a core curricula of information technologies, visual communications, design technologies, business studies and culinary arts. Perdoceo was an example of what we classify as a Quality Value company—which is a very inexpensive name that we don't anticipate holding for a long time. When we bought Perdoceo, its stock traded at a low multiple of the cash flow generated by the business. We sold our shares after a brief holding period because the stock moved up very quickly as other investors also recognized the attractive cash flow.

Beyond these specific sales of long positions, a common theme in our decisions to exit a holding is our deteriorating confidence in management. At Wasatch, our portfolio managers and analysts continually rank the management quality of all our companies. During the fourth quarter, several of the companies we sold had management ranks in the bottom quartile.

SHORT POSITIONS DURING THE QUARTER

Turning to short positions, contributors were those stocks that declined in price. We added the most value by shorting Sweetgreen, Inc. (SG) and Berkshire Grey, Inc. (BGRY). Sweetgreen manages a chain of restaurants that offer salads and other nutritional foods. While the company is growing quickly and its foods are of high quality, we don't think Sweetgreen is making sufficient progress in improving margins and returns on capital. Berkshire Grey provides solutions that combine artificial intelligence and robotics to automate fulfillment and logistics. We consider our short position in this less attractive name as an opportunistic offset to some of our long positions.

Among shorts, detractors were those stocks that rose in price. We got hit the worst by shorting Yext, Inc. (YEXT) and Alphatec Holdings, Inc. (ATEC). Yext provides digital-media technology services including advertising, business listings on search sites and real-time reputation management. Alphatec provides spine-surgery products. We had sold these stocks short because there had been some negative momentum in the companies' operations. But sales and earnings recently showed improvement and sent the share prices higher.

When short positions work particularly well, as they did during the fourth quarter, they naturally become smaller weightings in the Fund. This resulted in a need for us to add several new short names. Among them were window and door maker **JELD-WEN Holding, Inc. (JELD)**, recycling company **PureCycle Technologies, Inc. (PCT)**, software provider **MultiPlan Corp (MPLN)** and home-automation company **SmartRent, Inc. (SMRT)**. All of these shorts met the criteria of our multifactor quantitative model and also passed our qualitative assessment. *(Current and future holdings are subject to risk.)*

OUTLOOK

Data released during the final weeks of the fourth quarter suggested the U.S. economy was beginning to slow. Hurt by a drop-off in new orders, a widely followed gauge of U.S. factory activity declined in December at its sharpest pace since May 2020. The downbeat reading followed figures for November showing an unexpected fall in industrial production and a larger-than-expected decline in retail sales. With housing starts and other data points also falling short of forecasts, evidence suggested consumers and businesses were beginning to feel the strains of higher borrowing costs and inflation.

For businesses with debt tied to interest rates, the increased cost of servicing variable-rate debt is claiming a greater share of cash flows and eating into bottom lines. The squeeze of higher borrowing costs on profitability comes on top of elevated expenses for labor, materials, logistics and most everything else. A potentially deeper retrenchment by consumers in 2023 now threatens top lines as well—a development that would leave leveraged companies with even less cash to service their debt and invest for the future. We expect these pressures to send some heavily indebted companies into defensive mode, forcing layoffs and other cost-cutting measures that may ultimately slow their growth trajectories.

Equity prices in the year ahead may reflect the dynamics of debt and cash flows to a much greater extent than they recently have. During much of 2022, the selling of growth stocks was largely indiscriminate. There was little reason for investors to differentiate between higher-quality and lower-quality companies because business conditions were still mostly constructive. Instead, the stocks of growth companies declined across the board as elevated interest rates made discounted future cash flows less valuable in the present.

As described above, the investment environment turned in our favor during the fourth quarter. Looking ahead, we continue to be optimistic that the Fund's carefully balanced portfolio is positioned to perform well. While we don't invest based on economic forecasts, we think that if the economy slips into a significant recession, our underexposure to especially cyclical companies will work to our advantage. Alternatively, if corporate earnings simply feel some pressure amid a muddle-through economic landscape, we expect our high-quality growth names will be aggressive and opportunistic—while lower-quality competitors will be forced to play defense. A very strong economy with sharply rising commodity prices is the main scenario in which we believe our approach would be disadvantaged. But we think this latter scenario is the least likely.

Thank you for the opportunity to manage your assets.

Sincerely,

Mick Rasmussen

WASATCH GLOBAL INVESTORS

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2022

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Long/Short Alpha Fund—Investor	14.09%	-8.38%	N/A	N/A	2.23%
Long/Short Alpha Fund—Institutional	14.17%	-8.20%	N/A	N/A	2.47%
Russell 2500™ Index†	7.43%	-18.37%	N/A	N/A	-12.39%
FTSE 3-Month U.S. Treasury Bill Index††	0.87%	1.50%	N/A	N/A	1.21%

**Returns less than one year are not annualized.*

***The Wasatch Long/Short Alpha Fund's inception date was October 1, 2021.*

Data show past performance, which is not indicative of future performance. Current performance may be lower or higher than the data quoted. To obtain the most recent month-end performance data available, please visit wasatchglobal.com. The Advisor may absorb certain Fund expenses, without which total returns would have been lower. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. **Total Expense Ratio: Investor Class—Gross: 4.96%, Net: 2.50% / Institutional Class—Gross: 4.06%, Net: 2.25%**

Total Annual Fund Operating Expenses include operating expenses, including the management fee, before any expense reimbursements by the Advisor. **The Advisor has contractually agreed to limit certain expenses to 1.75% for the Investor Class and 1.50% for the Institutional Class through at least 1/31/2023.** See the prospectus for additional information regarding Fund expenses.

Wasatch Funds will deduct a 2.00% redemption fee on Fund shares held 60 days or less. Performance data does not reflect the deduction of fees or taxes, which if reflected, would reduce the performance quoted. For more complete information including charges, risks and expenses, read the prospectus carefully.

Equity investing involves risks, including potential loss of the principal amount invested.

Short selling incurs significant unique risks, including potentially unlimited downside risk, high short-sale related expenses, and unavailability of securities to sell short, among others, all of which could negatively impact the performance of the Fund. Additionally, the Fund may not be able to borrow the securities it intends to sell short.

Because the Fund invests in both long and short equity positions, the Fund has overall exposure to changes in the value of securities, which far exceeds the value of the Fund's assets. This may magnify gains and losses and increase the volatility of the Fund's returns. Investment in the Fund will involve market risks associated with different types of investment decisions than those made for a typical "long only" fund. There is no guarantee that the use of long and short positions will succeed in limiting the Fund's exposure to market movements, sector swings or other risk factors.

Being non-diversified, the Fund can invest a larger portion of its assets in the stocks of a limited number of companies than a diversified fund. Non-diversification increases the risk of loss to the Fund if the values of these securities decline.

Portfolio holdings are subject to risk and may change at any time. Securities in the Fund are generally added to the portfolio as long or short positions based upon security rankings provided by multi-factor quantitative models and on fundamental analysis of securities. The reliance on quantitative models entails unique risks, including the risk that a model may be limited or incorrect, that the data on which a model relies may be incorrect or incomplete and the risk that the Advisor may not be successful in selecting companies for investment or determining the weighting of particular stocks in the Fund's portfolio. The Advisor will generally sell a security if, among other things, the rankings provided by the quantitative models decline and/or research analysis reveals deterioration in company fundamentals.

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 the prospectus carefully before investing.

†The Russell 2500 Index is a market-cap weighted index that includes the smallest 2,500 small- and mid-cap stocks covered in the broad-based Russell 3000 of U.S.-based listed equities.

††The FTSE 3-Month U.S. Treasury Bill Index is intended to track the daily performance of 3-month U.S. Treasury bills.

Indexes are unmanaged. Investors cannot invest in these or any indexes.

The Wasatch Long/Short Alpha Fund has been developed solely by Wasatch Global Investors. The Wasatch Long/Short Alpha Fund is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"). FTSE Russell is a trading name of certain of the LSE Group companies.

All rights in the Russell 2500 Index and the FTSE 3-Month U.S. Treasury Bill Index vest in the relevant LSE Group company, which owns these indexes. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license.

These indexes are calculated by or on behalf of FTSE International Limited or its affiliate, agent or partner. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in these indexes or (b) investment in or operation of the Wasatch Long/Short Alpha Fund or the suitability of these indexes for the purpose to which they are being put by Wasatch Global Investors.

CFA® is a trademark owned by the CFA Institute.

The Wasatch Long/Short Alpha Fund's investment objective is long-term growth of capital.

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.

The "cloud" is the internet. Cloud-computing is a model for delivering information-technology services in which resources are retrieved from the internet through web-based tools and applications, rather than from a direct connection to a server.

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

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

LONG/SHORT ALPHA FUND — TOP 10 LONG EQUITY HOLDINGS

AS OF SEPTEMBER 30, 2022

Security Name	Percent of Net Assets
Roper Technologies, Inc.	3.8%
Bank OZK	3.8%
ICF International, Inc.	3.5%
Ensign Group, Inc.	3.3%
Monolithic Power Systems, Inc.	3.1%
Addus HomeCare Corp.	3.0%
MarketAxess Holdings, Inc.	3.0%
Innospec, Inc.	2.9%
Medpace Holdings, Inc.	2.9%
Morningstar, Inc.	2.7%
Total	32.0%

Portfolio holdings are subject to change at any time. References to specific securities should not be construed as recommendations by the Fund or its Advisor. Current and future holdings are subject to risk.