WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAUSX / Institutional WGUSX

Wasatch U.S. Select Fund

SEPTEMBER 30, 2022

Many Stocks Are Trading At the Best Valuations In a Decade

OVERVIEW

During the third quarter of 2022, the benchmark Russell 3000® Growth Index gave up earlier gains and finished down -3.37%. The Wasatch U.S. Select Fund—Investor Class slightly underperformed the benchmark, ending the period with a decline of -3.66%.

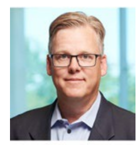
From a sector perspective, the Fund's underperformance relative to the benchmark was primarily impacted by stock-price weakness among our holdings in the consumer-discretionary and health-care sectors. Conversely, the strong performance of our holdings in the information-technology (IT) sector aided relative performance. IT is the most heavily weighted sector in the Fund, but we're underweighted versus the Index.

DETAILS OF THE QUARTER

Paylocity Holding Corp. (PCTY) was the top contributor to Fund performance during the third quarter. The stock was up substantially after the company reported revenue and earnings that topped consensus expectations. We continue to like the strong recurring revenue streams associated with the company's cloud-based payroll and human-capital-management software targeted at smaller businesses. In

FUND MANAGERS

Mike Valentine
Portfolio Manager
<1 YEAR ON FUND / 6 YEARS AT WASATCH



Paul Lambert
Portfolio Manager
<1 YEAR ON FUND / 22 YEARS AT WASATCH

Austin Bone
Portfolio Manager
<1 YEAR ON FUND / 6 YEARS AT WASATCH

Mick Rasmussen
Portfolio Manager
<1 YEAR ON FUND / 8 YEARS AT WASATCH

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: 1.08%, Net: 1.00% / Institutional Class—Gross: 0.92%, Net: 0.85%. The Advisor has contractually agreed to limit certain expenses to 1.00% for the Investor Class and 0.85% for the Institutional Class through at least 1/31/2024.***

addition, since Paylocity holds significant customer cash on its balance sheet, earnings get a boost in a rising interest-rate environment. While that advantage is an attractive sweetener, it's not a reason why we own the company. Instead, we value Paylocity for its core operations.

Another top contributor was Five Below, Inc. (FIVE). The company operates a chain of specialty discount stores aimed at "tweens" and teens that sell products that cost up to $5, plus a small assortment of products priced from $6 to $25. While the company lowered guidance for the full year and missed consensus estimates in its most recent quarterly earnings report, guidance for the all-important fourth-quarter holiday season included some positive takeaways. Management also said it expects operating margin expansion due to tight expense controls. In addition, the company is accelerating new store openings, following a pandemic-driven slowdown and construction challenges, which we think will provide future revenue growth.

Avalara, Inc. (AVLR), a provider of tax-compliance automation software, was another top contributor. The company specializes in solutions that help clients manage their sales taxes. The stock was up after Avalara announced that it would be acquired by Vista Equity Partners, a private-equity firm. We sold the stock on the news.

The largest detractor from Fund performance during the third quarter was Neogen Corp. (NEOG). The company provides products to food and animal producers that help keep the world's food supply safe from pathogens and other risks. Although rising costs for freight and supply-chain management have impacted gross margins, we don't think Neogen is any more vulnerable than competitors. Additionally, we believe Neogen's margin erosion is temporary because the company's products are still in strong demand. Another factor that may have impacted the stock was Neogen's acquisition of 3M's food-safety business, which has increased the debt on the balance sheet. For our part, we think the acquisition was strategically sound and we view the debt level as reasonable.

YETI Holdings, Inc. was another detractor. The company reported strong growth for the first half of 2022, with revenues up 18% from the first six months of last year. However, the stock was down after management noted that rising operating costs, largely tied to higher shipping and logistics costs, were affecting profitability. An announcement that the CFO was stepping down also weighed on the stock. Despite the near-term issues, we continue to like the company. YETI designs and distributes coolers, beverage holders, seat cushions and other outdoor recreational gear. We believe the company has plenty of headroom to grow as its name recognition increases and more consumers come to appreciate the durability of its products.

Another detractor was ICON PLC (ICLR), a health-care company that provides contracted clinical-research services to global biotechnology and pharmaceutical firms. Services include overseeing clinical studies, managing data, consulting on regulatory issues, and assisting in the development of pharmaceuticals through the use of centralized laboratories. Concern about the funding market for biotech companies likely weighed on the stock, but so far ICON's backlog of orders for services continues to grow. We also like that the company has accelerated paying down its debt from a prior acquisition. In our view, ICON is a less risky way to invest in biotech innovation. Unlike a biotech startup, whose success or failure may hinge on the results of a clinical trial for a single therapy, ICON benefits from innovation more broadly, and the growing number of companies bringing new treatments to market. *(Current and future holdings are subject to risk.)*

OUTLOOK AND POSITIONING

There's no doubt that significant fears still exist among investors. Broadly speaking, these fears relate to persistently high inflation, rising interest rates, the possibility of recessions around the world, the war in Ukraine and ongoing supply-chain challenges—exacerbated by China's zero-Covid policy.

The main offset to these fears is that many of our companies have stocks trading at some of the best valuations we've seen in more than a decade. As a result, we're very excited about return prospects going forward. While it's true that macro forces can keep a lid on valuations for a period of time, it's impossible to predict the direction of such forces. And even moderately good news on the macro front could trigger unexpected spikes in stock prices.

As portfolio managers, there's nothing we can do to control macro forces or the timing of the returns on our stocks. But here's what we *can* do for shareholders:

- Focus on high-quality management. When we look at our best-performing stocks throughout our firm's history, they were generally of companies in which our investment team had reached a consensus that management was top-notch.
- Focus on innovative products, recurring revenues and sustainable business models in markets with headroom for long-duration growth. If we make good assessments in these areas, even relatively pricey companies can go on to be very successful investments for a decade or more.
- Focus on significant returns on capital and relatively low debt. These characteristics often indicate that a company will be able to self-fund its growth, which can be important in preventing the need to raise money and dilute the ownership of existing shareholders.

At Wasatch, we're looking beyond what we can't control and doubling down on what we *can* control. We're taking care to ensure that the investment thesis for each of our companies is still sound in order to avoid negative earnings surprises. We're also on the road visiting management teams at their places of business.

Finally, we'd like to comment on the attractiveness of holding growth-oriented companies in the midst of continually elevated interest rates and inflation. While it's true that growth stocks took an outsized hit during the early stages of rate increases, there are other factors to consider. First, our growth companies generally don't have significant debt loads that would be impacted by higher interest rates. Second, quality growth companies should be better able to attract talent and raise prices during an environment of escalating wage and input-cost inflation. Third, in general, we believe the top growth companies are best positioned to navigate especially difficult challenges—ranging from logistical problems amid a booming economy, to the need for increased market share amid a recession.

Thank you for the opportunity to manage your assets.

Sincerely,

Mike Valentine, Paul Lambert, Austin Bone and Mick Rasmussen

TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2022

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
U.S. Select Fund—Investor	-3.66%	N/A	N/A	N/A	-2.60%
U.S. Select Fund —Institutional	-3.76%	N/A	N/A	N/A	-2.70%
Russell 3000® Growth Index†	-3.37%	N/A	N/A	N/A	-0.87%
Russell Midcap® Growth Index††	-0.65%	N/A	N/A	N/A	1.50%

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

***The Wasatch U.S. Select Fund's inception date was June 13, 2022.*

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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 1.00% for the Investor Class and 0.85% for the Institutional Class through at least 1/31/2024.** 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.

Investing in small cap funds will be more volatile and loss of principal could be greater than investing in large cap or more diversified funds. 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.

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.

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.

The Fund is new and has a limited operating history.

WASATCH GLOBAL INVESTORS

†The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

††The Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values. Indexes are unmanaged. Investors cannot invest in these or any indexes.

The Wasatch U.S. Select Fund has been developed solely by Wasatch Global Investors. The Wasatch U.S. Select 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.

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The Wasatch U.S. Select Fund's investment objective is long-term growth of capital.

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.

U.S. SELECT FUND — TOP 10 HOLDINGS

AS OF JUNE 30, 2022

Security Name		Percent of Net Assets
Roper Technologies, Inc.		4.5%
Balchem Corp.		4.5%
ICON PLC		4.3%
Amphenol Corp., Class A		4.3%
HEICO Corp., Class A		4.0%
Ensign Group, Inc.		4.0%
Copart, Inc.		4.0%
Morningstar, Inc.		4.0%
AMETEK, Inc.		3.9%
HealthEquity, Inc.		3.8%
	Total	41.1%

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.