WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAUSX / Institutional WGUSX

Wasatch U.S. Select Fund

DECEMBER 31, 2022

U.S. Stocks Rebounded and The Fund Outperformed Its Benchmark for the Quarter

OVERVIEW

The stocks of U.S. growth companies moved higher during the fourth quarter of 2022 due to rising investor optimism about the future paths of inflation and interest rates. The benchmark Russell 3000® Growth Index rose 2.31% for the quarter. Outperforming its benchmark, the Wasatch U.S. Select Fund—Investor Class increased 8.32%.

The holdings in the Fund represent some of Wasatch's highest-conviction stock ideas across the entire market-cap spectrum. These companies are typically businesses and management teams we have known for years, often when the firms were a micro- or small-cap company. This quarter, we were pleased to see many of those companies put up strong financial results, driving the stocks higher and leading the Fund to substantial outperformance relative to its benchmark. A few of these holdings are discussed below.

DETAILS OF THE QUARTER

The top contributor to Fund performance for the quarter was Medpace Holdings, Inc. (MEDP). The contract-research organization

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.***

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.

Another strong stock in the Fund was Five Below, Inc. (FIVE). A specialty value retailer, the company offers a variety of merchandise at discounted prices. Five Below's stock price rose sharply in early December after the company reported better-than-expected financial results and guided higher on revenues and earnings. The upbeat news cheered investors who had been concerned about Five Below's ability to attract shoppers during the upcoming inflation-marred holiday season. We think the company's debt-free balance sheet, substantial free cash flows, expanding store count and new Five Beyond format—in which prices can go as high as $25 in a designated section of the store—leave Five Below well-positioned for growth even in a potentially difficult retail environment.

Roper Technologies, Inc. (ROP) was another large contributor. The stock was up after the company released strong third-quarter financial results, including revenue and earnings growth that exceeded consensus expectations. Roper develops software and other engineered products for a variety of niche markets and industries. The company owns 26 independent businesses, most of which enjoy strong barriers to entry and leadership positions in their respective markets. The management team has done an exceptional job, in our view, of improving the operating performance and free cash flow generation of the businesses in its portfolio, then deploying that cash into acquiring new businesses that fit a similar profile. Roper's ability to put up strong results in what's been a challenging operating environment for many businesses speaks to the durability of the business.

While many stocks in the Fund were up during the quarter, there were also stocks that detracted. Paylocity Holding Corp. (PCTY) was the largest detractor among them. The company has seen its stock price come under pressure despite 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 U.S. Federal Reserve's (Fed) focus on the red-hot 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.

Five9, Inc. (FIVN) was another detractor. The stock was down after the company announced that the CEO had resigned to lead a new company. While we appreciated the outgoing CEO's leadership, we believe there's still a lot to like about the company. Five9 offers cloud-based software for contact centers, including customer-relationship-management integrations that include real-time (and historical) reporting, recording and quality monitoring. We believe there's a long runway of growth for the company, as the contact center becomes the key point of customer engagement in a "remote" world, and as companies seek to move their contact-center records and operations to the cloud. We believe the CEO taking the reins, who is Five9's chairman and former CEO, can help the company continue to carry out its strategic growth initiatives.

Another detractor was **CyberArk Software Ltd. (CYBR)**. A cybersecurity company that operates globally, CyberArk specializes in products and services to protect and safeguard customers' IT networks and devices. A recent flurry of buyouts by private-equity firms has fostered an active rumor mill that's at times produced rapid gyrations in the prices of cybersecurity stocks. We suspect CyberArk may have been the target of some of this speculation during the third quarter. Moreover, the growing slate of security products offered by cloud-computing giants Microsoft, Amazon Web Services and Google may have bruised investor sentiment toward the group. (*Current and future holdings are subject to risk.*)

OUTLOOK AND POSITIONING

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 inflation and higher borrowing costs.

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 higher 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 begin to reflect the dynamics of debt and cash flows to a much greater extent than they recently have. During 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 favorable. Instead, the stocks of growth companies declined across the board as higher interest rates made discounted future cash flows less valuable in the present.

We think some of this is likely to change in 2023. High-quality companies have strong businesses that produce substantial cash flows. Because they also often carry below-average levels of debt compared to their peers, more of the cash they generate can typically be used for other purposes. High-quality companies, for example, are positioned to take advantage of falling equity prices—by buying back their own stock and making acquisitions at attractive valuations. Their cash flows can also be used to pay dividends and fund capital-spending initiatives designed to support and enhance the long-term growth of their businesses.

It's often said that when the going gets tough, the tough get going. As the economic situation gets tougher and earnings come under increased pressure, high-quality companies of the type we favor in the Fund have the flexibility to be aggressive and opportunistic—while lower-quality competitors may become more defensive. In other words, we believe the upcoming environment will be one in which our companies really earn their stripes.

Thank you for the opportunity to manage your assets.

Mike Valentine, Paul Lambert, Austin Bone and Mick Rasmussen

TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2022

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
U.S. Select Fund—Investor	8.32%	N/A	N/A	N/A	5.50%
U.S. Select Fund —Institutional	8.43%	N/A	N/A	N/A	5.50%
Russell 3000® Growth Index†	2.31%	N/A	N/A	N/A	1.42%
Russell Midcap® Growth Index††	6.90%	N/A	N/A	N/A	8.50%

**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.

†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.

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

U.S. SELECT FUND — TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2022

Security Name	Percent of Net Assets
AMETEK, Inc.	4.2%
Balchem Corp.	4.1%
HEICO Corp. Class A	3.9%
Ensign Group, Inc.	3.9%
Amphenol Corp. Class A	3.9%
Roper Technologies, Inc.	3.7%
Bank OZK	3.7%
Copart, Inc.	3.5%
Old Dominion Freight Line, Inc.	3.5%
HealthEquity, Inc.	3.4%
Total	37.7%

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.