WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WALSX / Institutional WGLSX

Wasatch Long/Short Alpha Fund

DECEMBER 31, 2023

The Fund Generated a Positive Return in Every Quarter of 2023 and Outperformed the Benchmark in Three of the Four Quarters

FUND MANAGER

Mick Rasmussen, CFA
Lead Portfolio Manager

2 YEARS ON FUND / 9 YEARS AT WASATCH

OVERVIEW

During the fourth quarter of 2023, the Wasatch Long/Short Alpha Fund—Investor Class gained 14.09% and outperformed the benchmark Russell 2500™ Index, which rose 13.35%. The Fund's long positions drove its positive return, which is to be expected in an up market. Conversely, the Fund's short positions were detrimental as the market rose. For the full year, the Fund gained 27.75% and handily outpaced the benchmark, which rose 17.42%.

On the long side, the Fund's fourth-quarter return was helped by holdings in several industry groups including pharmaceuticals biotechnology & life sciences, financial services, software & services, and capital goods. At the other end of the spectrum, the Fund was hurt by holdings in energy and automobiles & components.

The performance data quoted represents past performance. Past performance does not guarantee future results. 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. The performance data does not reflect this redemption fee or taxes. ***Total Expense Ratio: Investor Class—Gross 3.14%, Net 2.41% / Institutional Class—Gross 3.10%, Net 2.20%. 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 1/31/2024.***

Among shorts, the Fund modestly benefited from positions in transportation and food beverage & tobacco. Conversely, the Fund was hurt by positions in capital goods, financial services, and media & entertainment.

After posting a sizable decline in October, the market rallied strongly during the last two months of the year. The U.S. Federal Reserve signaled that it was probably done raising interest rates and that it might actually cut rates three times in 2024. Due largely to the strong move-up in stock prices, the Fund's short exposure increased from approximately -32% to -36%. At the same time, we took advantage of higher prices to modestly pare back the Fund's long exposure from about 112% to 109%.

We're pleased to report that the Long/Short Alpha Fund generated a positive return in every quarter of 2023. Additionally, the Fund outperformed the benchmark in three of the four quarters. During the final quarter of the year, our long positions were especially strong and we contained losses in our shorts by limiting individual position sizes and overall exposure to appropriate levels. It's also noteworthy that the Fund's *beta*, a measure of market sensitivity, moved down. Relative to the benchmark, the beta declined from 0.68 in 2022 to 0.61 in 2023.

A *DIRECTIONAL* APPROACH TO LONG/SHORT INVESTING

We want to remind shareholders that the Wasatch Long/Short Alpha Fund takes a *directional* approach, meaning we're always biased toward greater long exposure than short exposure. As mentioned above, the Fund's long exposure was about 109% and its short exposure was approximately -36% on December 31. 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 to 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 expectation 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 achieve more than 80% of the benchmark's full-cycle return.

We launched the Long/Short Alpha Fund on October 1, 2021. In the 27 months since then, the Fund's average annual total return through December 31, 2023 was 12.86%, which compared very favorably to the benchmark Russell 2500's loss of -0.21%. Moreover, the Fund achieved its return with a beta of 0.65, which indicates that the Fund's market sensitivity was only a bit higher than we'd like to see over time.

LONG POSITIONS DURING THE FOURTH QUARTER

Among longs, the fourth quarter's top contributor to Fund performance was Block, Inc. (SQ). The company offers financial services and digital payment solutions aimed at small and medium-sized businesses. Block allows businesses to accept credit cards and use tablet computers as payment registers for point-of-sales systems. The stock price tends to be quite volatile and hit a 52-week low at the end of October. It then rallied strongly during the rest of the quarter, along with many other financial-services stocks, in the wake of the Fed's dovish pivot.

C4 Therapeutics, Inc. (CCCC) was also a strong contributor. The company develops therapeutics to degrade disease-causing proteins for the treatment of cancer and other diseases. C4's stock price jumped after the company announced positive data from a Phase 1 clinical trial of its therapy for multiple myeloma, a cancer that forms in blood cells. The stock moved up again on news that C4 had entered into a collaboration agreement with Merck to develop degrader-antibody conjugates (DACs) for an undisclosed oncology target that's exclusive to the collaboration.

On the long side, the fourth quarter's greatest detractor from Fund performance was Silk Road Medical, Inc. (SILK). The company provides medical devices used in its minimally invasive procedure (called Transcarotid Artery Revascularization, or TCAR) to treat blockages in the carotid artery. Silk Road's innovative system to reverse blood flow during TCAR directs any stroke-causing material away from the brain and into a filter, resulting in better outcomes than traditional stenting. Nevertheless, investors are questioning the size of the market and the share that Silk Road will be able to capture.

HealthEquity, Inc. (HQY) was also a large detractor. The company is the largest U.S. non-bank custodian for health savings accounts (HSAs). Along with offering HSAs, the company also facilitates employer-sponsored lifestyle and commuter benefits, which include fitness classes, parking programs and transit passes. The stock was down because investors looked ahead to an environment of lower interest rates when the company would earn less income from money held on deposit for customers. While lower rates are a small headwind for HealthEquity, its business model is structured so that the near- to mid-term impact is negligible and more than offset by the continued long-term growth of its entire platform.

Our major sales of long positions included Concentrix Corporation (CNXC). The company provides customer experience (CX) technologies including CX process optimization, front- and back-office automation, analytics and digital transformation services. We purchased Concentrix as a "quality value" name, which is our term for a company that we think has an inexpensive stock price even though the business is operating reasonably well. Since our purchase, the stock was a positive performer for the Fund. But we no longer think the valuation is attractive relative to the company's underlying cash flows. And we now see better opportunities to deploy capital elsewhere.

Our noteworthy buys of long positions included Sprout Social, Inc. (SPT). The company provides tools for social-media management, communication, contact management, lead generation, reporting and analysis. Even though Sprout hasn't yet reached profitability, we're impressed with the quality of the leadership team and we like the company's competitive position in a growing business segment. Prior to the fourth quarter, a short-seller report called into question the size of Sprout's market opportunity. We strongly disagreed with the report and used the ensuing stock-price weakness as an opportunity to take a position in the name.

SHORT POSITIONS DURING THE FOURTH QUARTER

Turning to short positions, contributors were those stocks that declined in price. While very few stocks fell during the fourth quarter, we added the most value by shorting Sight Sciences, Inc. (SGHT). This ophthalmic medical-device company develops and commercializes surgical and non-surgical technologies for the treatment of eye diseases. The company has a high cash-burn rate and had announced disappointing revenue guidance before we initiated our short position. Subsequently, we closed our position because the stock declined to a point where we thought further downside was limited.

Among shorts, detractors were those stocks that rose in price. The short that hurt us the most was Spirit AeroSystems Holdings, Inc. (SPR). The company designs, manufactures and distributes aerospace equipment including fuselages, wings, under-wing components, composites, spares and propulsion systems for commercial and military aircraft. Spirit is a supplier to Boeing and has multiple production- and quality-control challenges. Although the stock rallied off its low recently, we believe Spirit's operational challenges will eventually weigh on shares again.

Regarding transactions, we initiated a new short in Lancaster Colony Corp. (LANC). The company produces and markets specialty foods for the retail and food-service markets. While Lancaster is profitable, it's not growing rapidly. We think the stock is expensive and our short position will help balance some of the Fund's long exposure in the consumer-staples sector.

We closed a short position in American Well Corp. (AMWL), a telehealth company that provides comprehensive digital health-care solutions for health systems, health plans, employers and physicians. American Well was a successful short for the Fund. But we saw no further downside once the company's enterprise value turned negative, meaning that its cash on hand was worth more than its total market capitalization. *(Current and future holdings are subject to risk and change.)*

OUTLOOK AND POSITIONING

After 2022, a year during which most stocks declined in the face of macro headwinds, 2023 saw the market being driven more by company fundamentals. That was the case until the final two months of the year when stocks were lifted by a macro tailwind from the Fed.

Going into 2024, we believe the Fed's interest-rate cuts are already factored into stock prices. As a result, we think company fundamentals will reassert themselves in the market. This should create a constructive environment for stock pickers in general—and for talented long/short managers in particular.

Even after 2023's rally, we're finding attractively priced companies with solid fundamentals, especially among small and mid-sized names. Meanwhile, some large-caps and lower-quality companies with potentially deteriorating fundamentals look relatively expensive. As a result, we see ample opportunities in both long and short positions.

More specifically, with revenues and margins improving at many of the companies we hold on the long side, we're also witnessing an acceleration in earnings growth. Generally speaking, we saw earnings growth around the high teens in 2022. Growth fell to the low double-digits in 2023. And we now expect 2024 growth to ramp back up, approaching the mid-teens. So, if the economy goes into recession or simply muddles along, we think we'll be exceptionally well-positioned on a relative basis because the merits of our profitable companies will really shine through.

Thank you for the opportunity to manage your assets.

Sincerely,

Mick Rasmussen

TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2023

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Long/Short Alpha Fund—Investor	14.09%	27.75%	N/A	N/A	12.86%
Long/Short Alpha Fund—Institutional	14.11%	27.96%	N/A	N/A	13.09%
Russell 2500™ Index†	13.35%	17.42%	N/A	N/A	-0.21%
FTSE 3-Month U.S. Treasury Bill Index††	1.41%	5.26%	N/A	N/A	2.99%

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

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

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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 1.75% for the Investor Class and 1.50% 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. The 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.

The Fund's investments in long and short equity positions expose it to changes in the value of securities, which exceed the value of the Fund's assets. Investment in the Fund will involve market risks associated with different types of investment decisions than those made for a typical "long only" fund. The Fund relies on quantitative models which entail unique risks, including the risk that a model may be limited or incorrect. These risks are described in more detail in the prospectus.

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. An investor should consider investment objectives, risks, charges and expenses carefully before investing.

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.

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.

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

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†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.

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.

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

Enterprise value (EV) is a measure of a company's value calculated as market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

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.

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, 2023

Security Name	Percent of Net Assets
HealthEquity, Inc.	4.1%
RBC Bearings, Inc.	3.7%
Kadant, Inc.	3.5%
Pool Corp.	3.3%
Paylocity Holding Corp.	3.2%
Ensign Group, Inc.	3.1%
Innospec, Inc.	2.9%
Intra-Cellular Therapies, Inc.	2.9%
Globant SA	2.9%
ICF International, Inc.	2.8%
Total	32.4%

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.