WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WMICX / Institutional WGICX

Wasatch Micro Cap Fund

MARCH 31, 2024

Our Health-Care Names Had Particularly Large Gains as Our Investment Thesis Played Out During the Quarter

FUND MANAGERS

Ken Korngiebel, CFA
Lead Portfolio Manager
6 YEARS ON FUND / 8 YEARS AT WASATCH

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Portfolio Manager
2 YEARS ON FUND / 8 YEARS AT WASATCH

OVERVIEW

Micro-cap equities performed well during the first quarter of 2024 amid predictions about artificial intelligence (AI), rebounds in health care, signs of a still-robust economy and signals that the Federal Reserve remains prepared to cut interest rates later this year. Lower rates are viewed as positive for the broad equity market—and particularly for the stocks of smaller companies, which tend to have cash flows weighted more heavily in the future. The present values of future cash flows become greater amid declining interest rates.

Against this backdrop, the Wasatch Micro Cap Fund had strong stock selections for every sector in which it was invested. The Fund's Investor Class returned 10.82%, significantly outperforming the benchmark Russell Microcap® Growth Index, which rose 6.60%.

Led by health care, the Fund's return and outperformance of the benchmark were powered by the strong gains of our holdings across a number of sectors, and we had no major detractors from an attribution

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—1.66% / Institutional Class—1.59%. The Advisor has contractually agreed to limit certain expenses to 1.95% for the Investor Class and 1.60% for the Institutional Class through at least 1/31/2025.***

perspective. The financials sector was a minor disappointment because our weight was a bit higher than the benchmark's weight during a period in which financials generated modest losses.

DETAILS OF THE QUARTER

One of the strongest contributors to Fund performance was UFP Technologies, Inc. (UFPT), which designs and manufactures a broad range of high-performance cushion packaging and specialty foam as well as plastic products for the industrial and consumer markets. In the past, UFP had made precision-molded fiber packaging primarily from recycled paper but divested from that business due to lower margins. Instead, the company acquired businesses serving the medical industry. We projected that soon after the Covid-19 pandemic, elective medical procedures might ramp up—which we hoped would contribute to fast growth and significant margins for UFP. Our projections were realized as the company reported strong results for both the fourth quarter and the full year of 2023. In addition, UFP made several acquisitions that have helped it significantly increase production capacity and capture synergies by sharing best practices, moving operations to the ideal manufacturing locations and standardizing systems for information technology, quality and safety. The company has also invested in infrastructure, equipment and talent to serve robotic-surgery businesses, which compose a growing market segment that already accounts for a significant portion of UFP's revenue.

Viking Therapeutics, Inc. (VKTX) also contributed during the quarter. A clinical-stage biopharmaceutical company, Viking develops therapies for metabolic and endocrine disorders. Shares of the company soared in February after its injectable weight-loss drug demonstrated best-in-class efficacy in a mid-stage clinical trial. A separate, early-stage trial testing the safety and tolerability of an orally administered version of the drug also yielded positive data. A successful oral treatment would be a game changer in a multibillion-dollar industry. We believe these results make Viking a potentially attractive target for acquisition by a larger organization.

Another contributor was Pennant Group, Inc. (PNTG), which operates a network of over 150 home-health and hospice agencies and senior-living communities located mostly in the Western U.S. The company's services include medical care, nursing, help with basic needs and social work as well as speech, occupational and physical therapy. We have invested in the company for several years and have gotten to know the management team well, and we have had confidence in maintaining our position even at times when the stock has been weak. Admittedly, our investment thesis has taken longer to play out than we originally expected, but our patience was rewarded during the first quarter when the company reported improved top- and bottom-line results.

The greatest detractor from Fund performance was Open Lending Corp. (LPRO), which provides loan analytics, risk-based pricing and automated-decision technology to auto lenders. Open Lending incurs no credit risk and offers a fee-based platform that enables lenders to assess the creditworthiness of car buyers more accurately. The company focuses on lower-income consumers, who tend to have been hurt by high interest rates and inflation. This unfortunate situation was reflected in Open Lending's most recent revenues and earnings, which fell short of analysts' estimates. In addition, the company announced on March 25 that Keith Jezek, the CEO, had stepped down. We think lower interest rates and declining used-car prices could soon provide a tailwind for Open Lending. Nevertheless, we're closely monitoring the company's progress.

BigCommerce Holdings, Inc. (BIGC) was also a significant detractor. The company provides software that powers online retail sites. BigCommerce has shifted its focus to large enterprise accounts because management believes these prospects offer the greatest opportunity for long-term growth. The stock was down during the quarter after BigCommerce offered a mixed forecast—2024 profitability that's likely to meet expectations but revenue that's likely to fall short. This may be a temporary hiccup, but we're reassessing our projections, and we'll keep a close eye on how well BigCommerce measures up to the competition during the coming quarters.

Another detractor was Cantaloupe, Inc. (CTLP), a software and payments company that provides cashless digital solutions for unattended retail operations such as vending machines and kiosks. Cantaloupe offers integrated solutions for payment processing, logistics and back-office management. The company's subscription and transaction revenues haven't been growing as fast as expected, which has impacted the stock price. We've spoken with company executives, and they believe the lackluster growth is the result of implementation problems that can be fixed—rather than the result of fundamentally weak demand. In the meantime, we hold the stock at an average weight in the Fund as we monitor the company for signs of accelerating revenue growth. *(Current and future holdings are subject to risk and change.)*

PORTFOLIO TRANSACTIONS

We're finding many attractive opportunities in the micro-cap space, including Artivion, Inc. (AORT), a medical-device company that develops solutions for the surgical treatment of aortic heart disease. Artivion's On-X aortic valve provides significant clinical benefits and is the only mechanical aortic valve for which patients can be safely managed with blood thinners. In the intervening time since we last owned Artivion, the company's JOTEC product line is much closer to U.S. approval, its business is better positioned to handle a debt refinancing and its management team is stronger.

During the quarter we sold a handful of positions, including CyberArk Software Ltd. (CYBR), a fast-growing provider of digital-security solutions that protect privileged accounts, applications and sensitive information from internal and external cyberattacks. The company's management has done an excellent job transitioning most of its business from on-premises installation to software-as-a-service, in which customers pay by subscription for the protection they need. Our original investment thesis was that the transition would result in a higher stock price because revenues and earnings would become more predictable under a subscription-based model. We were correct in our assessment, and CyberArk's success has since caused the company's size to increase beyond our typical market-cap range. What was a $1.4 billion company when we first bought it had appreciated to $10.3 billion when we exited the position.

OUTLOOK

Looking ahead, we're optimistic about the overall market and the micro-cap space, where relative valuations are particularly attractive versus larger-cap stocks, and if interest rates turn down later this year, that could provide an additional tailwind for smaller companies. For more information on smaller-caps versus larger-caps, the state of today's tech euphoria and our investment approach over a full market cycle, please read our Q&A on stock leadership (i.e., a potential changing of the guard) and our latest *Market Scout*. You can find both pieces in the News & Insights section at wasatchglobal.com.

As always, we're striving to own high-quality companies with consistent profitability and strong cash flows that can be used to self-fund product development and business expansion. We also like defensible market positions and healthy balance sheets because these characteristics can help companies weather unfavorable economic conditions, which can occur alongside any level of interest rates. One indication of the especially attractive opportunities we're finding in the micro-cap space is that we added six new positions to the Fund during the first quarter.

Thank you for the opportunity to manage your assets.

Sincerely,

Ken Korngiebel and Natalie Pesqué

TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2024

	Quarter*	1 Year	3 Years	5 Years	10 Years
Micro Cap Fund—Investor	10.82%	22.46%	-8.54%	10.84%	11.45%
Micro Cap Fund—Institutional	10.80%	22.62%	-8.47%	10.88%	11.46%
Russell Microcap® Growth Index**	6.60%	15.43%	-10.99%	4.19%	3.84%
Russell Microcap® Index†	4.68%	17.78%	-4.89%	6.90%	5.96%

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

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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 1.95% for the Investor Class and 1.60% for the Institutional Class through at least 1/31/2025.** 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.

Performance for the Institutional Class prior to 1/31/2020 is based on the performance of the Investor Class. Performance of the Fund's Institutional Class prior to 1/31/2020 uses the actual expenses of the Fund's Investor Class without any adjustments. For any such period of time, the performance of the Fund's Institutional Class would have been substantially similar to, yet higher than, the performance of the Fund's Investor Class, because the shares of both classes are invested in the same portfolio of securities, but the classes bear different expenses.

Investing in micro 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 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.

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 Micro Cap Fund's investment objective is long-term growth of capital. Income is an objective only when consistent with long-term growth of capital.

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**The Russell Microcap Growth Index is an unmanaged total return index measuring the performance of the micro-cap growth segment of the U.S. equity market.*

†The Russell Microcap Index is an unmanaged total return index of the smallest 1,000 securities in the small-cap Russell 2000 Index along with the next smallest 1,000 companies, based on a ranking of all U.S. equities by market capitalization.

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

The Wasatch Micro Cap Fund has been developed solely by Wasatch Global Investors. The Wasatch Micro Cap 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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Valuation is the process of determining the current worth of an asset or company.

MICRO CAP FUND — TOP 10 HOLDINGS

AS OF DECEMBER 31, 2023

Security Name		Percent of Net Assets
Esquire Financial Holdings, Inc.		2.9%
Addus HomeCare Corp.		2.8%
Transcat, Inc.		2.8%
Construction Partners, Inc., Class A		2.6%
Agilysys, Inc.		2.5%
Veeco Instruments, Inc.		2.4%
Kadant, Inc.		2.4%
Janus International Group, Inc.		2.3%
UFP Technologies, Inc.		2.2%
XPEL, Inc.		2.0%
	Total	24.9%

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.