WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAMVX / Institutional WGMVX

Wasatch Micro Cap Value Fund

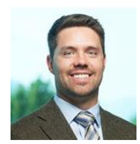
JUNE 30, 2023

Based on Several Indicators, the Overall Quality of Our Companies Has Never Been Better—Which We Think Positions the Fund Well for Market Conditions Ahead

FUND MANAGERS

Brian Bythrow, CFA
Lead Portfolio Manager

19 YEARS ON FUND / 20 YEARS AT WASATCH



Thomas Bradley
Associate Portfolio Manager

1 YEAR ON FUND / 9 YEARS AT WASATCH

OVERVIEW

During the second quarter of 2023, the benchmark Russell Microcap® Index was volatile but ultimately rose 5.29%. After deciding against an interest-rate hike in June, the U.S. Federal Reserve (Fed) announced that two more hikes would occur before the end of the year. Offsetting this arguably disappointing news, investors have shown some optimism about decelerating inflation and the possibility that the U.S. will sidestep a recession in 2023.

Underperforming its benchmark, the Wasatch Micro Cap Value Fund—Investor Class gained 2.59%. We believe the main reason for this underperformance was our focus on high-quality companies in an environment that favored more-speculative names. Going forward, however, we feel comfortable with our quality-oriented positioning, partly because we think nervousness may creep back into the market before the eventual start of what we believe will be a secular trend in which micro- and small-caps outperform large-caps.

Data show past performance, which 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 do not reflect this redemption fee or taxes. ***Total Expense Ratio: Investor Class—1.70% / Institutional Class—Gross 1.63%, Net 1.60%. 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 1/31/2024.***

Among sectors, our stock selections in industrials, financials and communication services—and our underweight in energy—contributed to Fund performance relative to the benchmark during the second quarter. Conversely, our selections in health care, information technology (IT) and consumer discretionary were disadvantageous.

From a country perspective, our U.S. holdings were up a few percent while our positions in Israel were especially beneficial. On the other hand, our positions in Canada and the United Kingdom were weak. We continue to like our non-U.S. companies based on their attractive valuations and diversification benefits.

As mentioned above, we noticed that more-speculative, lower-ROE (return on equity) companies were among the biggest winners during the second quarter. For example, the four bottom ROE deciles in the benchmark produced some of the best returns. We partially attribute this to biotechnology names, which tend to have lower ROEs overall. Biotech companies had struggled recently amid a poor funding environment, but they saw better access to capital and more robust stock returns during the second quarter. For our part, we don't usually invest much in the biotech space. But we've initiated some small positions there as we've seen improvements in investor sentiment and company growth prospects.

DETAILS OF THE QUARTER

Weave Communications, Inc. (WEAV) was the top contributor to Fund performance during the second quarter. The company provides small and medium-sized businesses with a customer communications and engagement software platform. Weave specializes in software for dental offices and niche medical practices and facilitates patient communications. We bought the stock after the company reported a strong quarter. Our experience with Weave is an example of a phenomenon we often see in micro-caps: As long as we're nimble once the news is announced, we don't necessarily need to buy ahead of the news in order to profit from a stock gain.

Another strong contributor was NeoGames SA (NGMS), a technology and service provider to state lotteries and other lottery operators. The company offers a full-service solution that includes all the elements required to conduct lottery games via instant tickets, personal computers, smartphones and other devices. The management team has continually impressed us as it has effectively capitalized on the trend of more and more states starting to offer lotteries. The stock was up substantially during the quarter because NeoGames tentatively agreed to an acquisition bid by Aristocrat Leisure Ltd. We sold some of our shares on the news.

Sterling Infrastructure, Inc. (STRL) and Construction Partners, Inc. (ROAD) were also contributors. Sterling Infrastructure specializes in municipal and state contracts for highway paving and bridge, water, sewer and light-rail developments. In our view, Sterling's stock had been far too inexpensive for quite some time. Then, for reasons not entirely clear, the stock bounced higher during the quarter. We chalk this up to the sometimes-fickle nature of micro-caps, which can require us to be exceptionally patient investors.

Similarly, Construction Partners specializes in public and private infrastructure projects such as highways, roads, bridges, airports, and commercial and residential sites. After navigating economic headwinds including wage inflation, rising costs for materials and supply-chain disruptions, the company has emerged healthier with strong earnings resulting from repriced contracts, increased municipal budgets and a backlog of projects.

Impinj, Inc. (PI) was the largest detractor from Fund performance during the second quarter. The company, a pioneer in helping develop the "Internet of Things," provides an infrastructure by which everyday things—such as car parts and even shipping containers—communicate over the internet. Impinj offers a wireless inventory management and tracking platform for customers in retail, manufacturing, health care and other areas. Tiny radio-frequency identification (RFID) chips connect, count and track individual items. Impinj is heavily reliant on computer chips, which were in short supply during the post-pandemic rebound. The recently slowing economy helped reduce the former supply-and-demand imbalance—and boosted the company's profitability and stock price. As the valuation of Impinj rose, we trimmed our position as a risk-control measure. In hindsight, however, we didn't trim enough. The stock was down nearly 35% during the second quarter because management reported a slowdown in large deployments across enterprises. Despite the slowdown, we expect deployments to ramp up in the second half of 2023. And we still like the company for its long-term growth potential.

Another significant detractor was AgileThought, Inc. (AGIL), which provides end-to-end digital transformation services to *Fortune 1000* customers in diverse industries. The company's services include consulting, data management and automation, custom software development and cloud computing. The stock was down due to investors' nervousness about the company's projected failure to meet a debt payment, inability to raise capital on reasonable terms, and lowered sales and earnings guidance. In hindsight, we were correct about the attractiveness of AgileThought's business model. Still, we should've been more concerned about the company's debt level—a factor that usually puts us on high alert. Although we try to avoid making *excuses*, we do offer *reasons* for our mistakes. In the case of AgileThought, the *reason* was that we simply underestimated the potential for a banking crisis to close off access to capital. The good news, however, is that high debt isn't a common theme among our holdings.

Skyline Champion Corp. (SKY) was also a detractor. The company is one of the biggest homebuilders in North America, specializing in modular homes for the single-family, multi-family and hospitality segments as well as accessory dwelling units and park-model recreational vehicles. After a recent runup, the stock was down during the second quarter as investors fretted over soft revenues and earnings at another company similar to Skyline. But we think Skyline is more attractively valued. And when the current cycle of hiking interest rates ends, that could mark the beginning of a favorable period for the housing sector. As a result, we're maintaining our position in Skyline at a significant weight. (*Current and future holdings are subject to risk and change.)*

BUYS AND SELLS

Among our buys, we added FD Technologies PLC—which offers custom software, IT consulting, systems integration, training and web design. The company primarily serves investment-banking, energy and technology businesses world-wide. FD has used profits from its investment-banking operations to become a leader in proprietary software that allows customers to analyze data incredibly quickly and efficiently. There's a massive market for this software, and the company is valued very attractively at a multiple of only about 16 times EBITDA (earnings before interest, taxes, depreciation and amortization). Part of the reason for the attractive valuation is that the company is located in the United Kingdom, where stocks are typically priced lower than their U.S. counterparts. Based on the market opportunity, the valuation and the company's partnership with Microsoft to deliver software on the Azure platform, we think FD could be a sizable holding in the Fund for a long time.

We also added Halows Co. Ltd., a Japanese supermarket chain that operates stores in the Hiroshima and Okayama prefectures. Most of the stores are open 24 hours a day. We like Halows as a "growth staple," which means it combines earnings acceleration with dependable demand. Moreover, the company's valuation is lower than many counterparts in the U.S.

Vistry Group PLC was another addition. The company is a U.K. builder and seller of single-family houses, apartments, retirement facilities and social housing units. We like Vistry because it has relatively few competitors as a result of barriers to entry in the business of partnering with municipalities that already own land in need of gentrification and development. This causes Vistry's operations to be less capital-intensive, and the company's ROEs are usually north of 30%. Additionally, we have good visibility into viable projects many years into the future.

The stock trades at about four times EBITDA, which we consider very inexpensive. Because of these attractive characteristics, we were willing to buy the stock even though it's larger than our normal market-cap target level.

As for our sells, it's noteworthy that we fully exited our longstanding position in Fabrinet (FN). The company makes optical components, which have been in high demand from data centers providing cloud computing and other IT services. Fabrinet was an excellent investment for us, and we continually sold some of our shares as the valuation and market cap increased. During the second quarter, we sold our remaining shares based on our belief that the growth in demand for optical components would finally slow.

We also exited Aya Gold & Silver, Inc., a mineral exploration and development company; Critical Elements Lithium Corp., a miner of rare metals and rare earths; and Talon Metals Corp., a nickel producer. While these commodity-oriented companies may benefit from the proliferation of electric vehicles (EVs), we decided we'd rather gain EV exposure through high-margin technologies than through less-profitable commodities.

OUTLOOK

Based on revenue and earnings reports this year, our companies have generally met or exceeded expectations. For the most part, positive reports have caused stocks to move up and negative reports have prompted stocks to decline. This may sound obvious, but it's not always the case. In very overvalued markets, even robust reports can be met with lackluster stock returns.

Despite reasonably healthy market action recently, we anticipate a bumpy road for the next several months. As noted above, investors have shown some optimism about decelerating inflation and the possibility that the U.S. will sidestep a recession in 2023. For our part, however, we believe inflation is still a problem, primarily due to high wages and food costs. Therefore, we take the Fed at its word and think two more interest-rate hikes will, in fact, occur before the end of the year. Additionally, our non-consensus view is that a recession is a near certainty because the interest-rate increases that have already occurred are *still* working their way through the economy.

The main question for us is whether the recession will be deep or shallow. If the recession is deep, stocks might bottom out approximately halfway through. Then, as investors forecast the recession's end, stocks might rise in anticipation of better times ahead. On the other hand, if the recession is shallow, stocks might simply tread water in the short term.

Regardless of how the recession plays out, we're relatively optimistic for several reasons. First, modern recessions have typically lasted only about six to 18 months. Second, our companies are generally well-positioned for lingering inflation because they've cut operating costs but still have pricing power with customers. Third, the valuations of our holdings—particularly of our non-U.S. names—are some of the most attractive we've seen in several years. Fourth, certain holdings may have already started to reflect better times. These include attractively valued U.K. businesses that are later in the economic cycle and inexpensive U.S. housing companies that are looking past peak mortgage rates and stand to benefit from years of pent-up demand. Fifth, on a 10-year basis, micro- and small-caps have underperformed large-caps by wide margins—which may indicate that a secular change in market leadership will favor the Wasatch Micro Cap Value Fund.

In the short term, we think the two most likely market scenarios are: (1) stocks pull back amid economic disappointments, or (2) stocks remain in a trading range as the economy muddles along. We believe we're well-positioned for either scenario because the overall quality of our companies has never been better. Some of the most important quality indicators are market-share gains, high margins and returns on capital, healthy balance sheets and low debt levels.

The short-term scenario that we're not well-positioned for is a speculative environment in which low-quality, money-losing companies are favored. But we think low-quality rallies are fleeting, and recent speculation has already run its course. Moreover, we refuse to chase the stocks of companies that don't fit our long-term investment criteria.

During the second quarter, one of the main subjects in the news was the proliferation of artificial intelligence (AI). Going forward, we think this means investors will be looking to differentiate between reality and hype—and between corporate winners and losers. For our part, we own a few semiconductor-related companies that should benefit from the rise in AI. As investor sentiment ebbs and flows, we expect to sell into strength and buy into weakness.

Regarding recent research trips, we visited several San Francisco-based technology companies in June. We also went to Chicago for meetings with micro-cap companies in a variety of industries. These trips and other research efforts are essential as we seek to find some "undiscovered gems" and "fallen angels" poised to get their businesses back on track.

Thank you for the opportunity to manage your assets.

Sincerely,

Brian Bythrow and Thomas Bradley

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Micro Cap Value Fund—Investor	2.59%	10.07%	10.63%	8.58%	11.52%
Micro Cap Value Fund—Institutional	2.57%	10.00%	10.71%	8.69%	11.58%
Russell Microcap® Index**	5.29%	6.63%	9.09%	2.07%	7.29%

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

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—1.70% / Institutional Class—Gross 1.63%, Net 1.60%**

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 1/31/2024.** 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 do 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. Investments in value stocks can perform differently from other types of stocks and from the market as a whole and can continue to be undervalued by the market for long periods of time. 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.

The Wasatch Micro Cap Value Fund's investment objective is long-term growth of capital.

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***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. The Russell 2000 Index is an unmanaged total return index of the smallest 2,000 companies in the Russell 3000 Index, and is widely used in the industry to measure the performance of small company stocks.*

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

The Wasatch Micro Cap Value Fund has been developed solely by Wasatch Global Investors. The Wasatch Micro Cap Value 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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As of June 30, 2023, the strategy did not hold shares of Aristocrat Leisure Ltd.

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.

Diversification does not eliminate the risk of experiencing investment losses.

"Fallen Angel" is a Wasatch term for a company with a solid long-term growth history and outlook whose current earnings have gotten off track.

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

Return on equity (ROE) measures a company's efficiency at generating profits from shareholders' equity.

"Undiscovered Gems" is a Wasatch term for companies that have little or no coverage by Wall Street analysts.

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

WASATCH
GLOBAL INVESTORS

MICRO CAP VALUE FUND — TOP 10 HOLDINGS
AS OF MARCH 31, 2023

Security Name	Percent of Net Assets
Skyline Champion Corp.	3.3%
Impinj, Inc.	3.0%
Esquire Financial Holdings, Inc.	2.3%
Construction Partners, Inc. Class A	2.0%
ICF International, Inc.	2.0%
Napco Security Technologies, Inc.	2.0%
Sterling Infrastructure, Inc.	1.9%
Viemed Healthcare, Inc.	1.9%
EZCORP, Inc. Class A	1.9%
JDC Group AG	1.8%
Total	22.2%

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.