WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAMVX / Institutional WGMVX

Wasatch Micro Cap Value Fund

DECEMBER 31, 2023

The Fed's Announcement Sparked a Fourth-Quarter Rally in Stocks, but Long-Term Performance Will Be Determined by Company Fundamentals

FUND MANAGERS

Brian Bythrow, CFA
Lead Portfolio Manager

20 YEARS ON FUND / 20 YEARS AT WASATCH

Thomas Bradley
Associate Portfolio Manager

1 YEAR ON FUND / 9 YEARS AT WASATCH

OVERVIEW

During the fourth quarter of 2023, the Wasatch Micro Cap Value Fund—Investor Class rose 13.13% but underperformed the benchmark Russell Microcap® Index, which gained 16.06%. Stocks received a boost from the U.S. Federal Reserve (Fed), which announced that it may cut the fed-funds rate three times in the year ahead. For 2023 as a whole, the Fund rose 13.13% and outperformed the benchmark, which gained 9.33%.

From a quality perspective, there was no clear advantage to holding higher-ROE (return on equity) companies during the fourth quarter. In fact, some lower-quality names performed well because they were perceived as having the potential for "better than feared" operational

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. 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.***

success if the economy avoids a hard landing and if inflation and interest rates have already peaked. Similarly, some stocks of fast-growing companies burning cash performed well because lower interest rates would mean raising additional capital would be potentially less expensive.

Among sectors, our stock selections in information technology and consumer staples—and our underweight positioning in declining energy stocks—contributed to Fund performance relative to the benchmark. Conversely, our stock selections in health care, financials and consumer discretionary were disadvantageous.

As for countries, our U.S. holdings and our non-U.S. names performed similarly overall. Our British, German and Indian stocks were particularly strong. We continue to like our non-U.S. companies for their generally more attractive valuations, for their diversification benefits and for potential buyout activity—which has been ramping up internationally.

DETAILS OF THE QUARTER

HCI Group, Inc. (HCI), which issues property and casualty insurance and reinsurance primarily in Florida, was the Fund's top contributor. The stock was up during the quarter based on a positive outlook. Because many insurers have left the state due to increased storm frequency and intensity, HCI has been able to raise premiums as compensation for greater risks. Moreover, Florida recently enacted legislation intended to curtail fraudulent claims. We believe the combination of higher premiums and fewer claims should boost revenues and earnings in the years ahead. From a shorter-term perspective, risks have come down because the typical hurricane season in Florida is over. Before HCI reported third-quarter results, we added to our position. More recently, we trimmed some shares on stock-price strength as a risk-control measure.

Another strong contributor was Impinj, Inc. (PI). 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 deploys wireless inventory management and tracking platforms for customers in retail, manufacturing, health care and other areas. The company also provides tiny radio-frequency identification chips to connect, count and track individual items. Earlier in the year, the stock fell due to a slowdown in platform deployments and chip orders. The slowdown occurred because customers had previously obtained extra inventory based on fears over Covid-related supply-chain disruptions. However, the stock rebounded after a report of solid third-quarter revenues and profitability that exceeded expectations. Moreover, management expressed optimism that Impinj's long-term business opportunities remain intact.

Chefs' Warehouse, Inc. (CHEF) was also a contributor to Fund performance. The company distributes premium specialty foods primarily to chefs who own or operate restaurants, catering services and fine-dining establishments. During the third quarter, the stock succumbed to concerns about consumer spending. We didn't take these concerns lightly, but we also considered that the company was valued at an 8 multiple based on EV (enterprise value)-to-EBITDA (earnings before interest, taxes, depreciation and amortization)—which we considered inexpensive. And we thought high-end diners would be relatively unaffected by economic volatility because eating out is an affordable luxury for them. We added to our position when the stock was down, and we were rewarded with a rally in November and December. Even after the rally, we think the company is still reasonably valued at an 8.5 multiple based on forward EV-to-EBITDA. Therefore, we're maintaining our position.

GEN Restaurant Group, Inc. (GENK) was the Fund's greatest detractor. The company owns GEN Korean BBQ, a fast-growing experiential restaurant chain operating in seven states of the U.S. GENK offers customers a unique dining experience where they serve as their own chefs, preparing meals on embedded grills in the center of each

table. The extensive menu consists of traditional Korean and Korean-American food, including high-quality meats, seafood and mixed vegetables. We bought GENK as an initial public offering (IPO). Afterward, we purchased additional shares on the open market. During the year prior to the IPO, we met with the management team and visited the restaurants several times—and our qualitative assessment was extremely positive. In terms of our quantitative assessment, we were impressed with GENK's contribution margins in the vicinity of 20% and its EV-to-EBITDA valuation, which was below high-quality peers in the restaurant business. For the most part, the company's fundamentals have progressed in line with our initial expectations. And every one of GENK's 36 locations generates positive cash flow. But small operational improvements are needed in seven locations. Unfortunately, investors are inherently impatient with a newly public company that isn't firing on all cylinders. While we're disappointed that GENK stumbled in the aftermath of its IPO, we remain comfortable investing alongside company insiders, who still own 87% of the outstanding shares.

Another significant detractor from Fund performance was Harrow, Inc. (HROW). The company focuses on the discovery, development and commercialization of ophthalmic pharmaceutical products as well as medications prescribed to treat patients managing chronic and acute eye conditions such as dry-eye disease, glaucoma, allergies, infections and other ophthalmic inflammatory conditions. In November, management acknowledged it had been too optimistic about the business and lowered guidance for upcoming sales and earnings. As a result, the stock was down significantly. At the current valuation, we're holding a small position in Harrow with the expectation that the business will get back on track within the next two quarters.

Inmode Ltd. (INMD) was also a detractor. This Israeli company develops aesthetic treatments for the face, body and skin. The treatments harness novel radio-frequency technology. Inmode has experienced extremely strong growth, which we think will continue because the company's treatments are very effective and far ahead of the competition. During the quarter, however, the stock was down due to the attack on Israel and a forecast of increased seasonality in Inmode's revenues and earnings. Nevertheless, we still like Inmode based on its technological edge, strong balance sheet, gross margins in excess of 80% and a valuation of a 6 multiple based on forward EV-to-EBITDA. *(Current and future holdings are subject to risk.)*

BUYS AND SELLS

Among our recent buys, we added Perella Weinberg Partners (PWP), an investment-banking firm that focuses on mergers and acquisitions (M&A), corporate restructurings and shareholder engagement. With recent turmoil in the investment-banking industry, the firm was able to hire some displaced executives from Silicon Valley Bank and Credit Suisse Group. Another positive development is that the parties involved in investment-banking transactions now have more reasonable expectations, so M&A and restructuring activity is ramping up after two years of declines. We think Perella Weinberg is well-positioned to take market share because its bankers are very experienced and have extensive relationships. Moreover, the firm has an inexpensive stock, high insider ownership, a healthy balance sheet and significant potential for earnings growth.

We also added Granite Construction, Inc. (GVA), which concentrates on heavy infrastructure projects including site preparation and construction of roads, bridges, dams, tunnels, mass-transit facilities and airports. We consider the company to be an "inexpensive grower." Although the stock price is near a high, the valuation is at a 7 multiple based on forward EV-to-EBITDA, which we consider inexpensive. Revenues appear on track to grow by 20% or more for several years, and earnings are likely to grow even faster. Additionally, the company's balance sheet is solid, with significant cash on hand. As a result, like other inexpensive growers in the Fund, we expect to hold Granite Construction for the long term.

As for our sells, we exited Ergomed PLC, which provides clinical-research and trial-management services to the pharmaceutical industry. We sold our position because the company agreed to be acquired by Permira, a European private-equity firm. Although we had hoped for an even higher price, the buyout offer was at about a 25% premium over Ergomed's market value. Ergomed is an example of why investing a portion of the Fund outside the United States makes sense—we can often find underpriced international names in industries that are less consolidated than U.S. counterparts.

We also exited Instem PLC, a U.K. company that provides information-technology (IT) applications to global life-sciences businesses—including contract research organizations—for research and early development of drugs and chemicals. Instem's applications aid in compliance functions and help clients collect, analyze and report data to regulatory agencies. We sold the stock because Instem agreed to be acquired at a valuation of about three times sales. Although this valuation may seem attractive at first glance, we were disappointed that management became impatient and wasn't able to negotiate an even better price based on the dynamic, highly profitable nature of Instem's IT applications.

OUTLOOK

Before the start of the fourth quarter, 2023 had been a poor year for micro-caps. But the Fed's dovish forecast and Wall Street's optimism about declining inflation and interest rates sparked a stock-market rally in November and December. Being just two months along, the rally may still have legs. Also, confidence has been increasing among investors that the U.S. economy will pull off a soft landing.

For our part, we don't invest based on economic predictions. And even economic events themselves don't overly influence our investment approach because they can change unexpectedly. However, we do acknowledge that economic predictions and events often drive stock performance in the short term. We also acknowledge that the Fund's holdings are somewhat less sensitive to interest rates than the benchmark's positions.

Irrespective of exactly how economic conditions unfold—barring a major shock such as a debt crisis—we're optimistic in the medium to long term for a few main reasons. First, the overall quality of our holdings has never been better, and most of our companies generate significant cash flows. Second, micro-cap valuations are quite attractive, especially relative to the large-cap space, where some stock prices have been driven up by the euphoria surrounding artificial intelligence (AI). Third, many interest-rate-sensitive names, even after the November-December rally, are still well below their 2022 highs.

Based on the investment environment and the opportunities available, we've been taking a few actions with respect to portfolio management:

- Selling names that we think have spiked too quickly on overexuberance.
- Buying companies whose future cash flows could become more valuable amid lower inflation and interest rates.
- Beefing up position sizes in what we think are attractively priced companies that we like over a full market cycle.
- Doing more analysis of health-care companies, financials (including banks) and housing-related names that could be strong candidates for the Fund.

Regarding the health-care sector, it's a sector that is often fairly defensive. But this wasn't the case in 2023 as a whole. One reason for health-care stocks' lackluster performance was optimism surrounding the potential for GLP-1 agonists (e.g., Ozempic) to promote weight loss and improve patient outcomes without other interventions. In our opinion, this optimism is overdone—leaving many health-care names attractively priced if investors eventually realize that panaceas are few and far between.

As for companies within the financials sector and housing-related companies, they should benefit if interest rates decline according to the Fed's forecast. Under a lower rate environment, banks earn a greater spread between interest received on loans versus interest paid on deposits. Therefore, as long as banks don't issue bad credit, we think they don't even need to grow in order to be good investments. Moreover, bank stocks often provide dividend yields in the vicinity of 4%.

A caveat with respect to banks, as well as to financials more broadly and other interest-rate-sensitive names, is that differentiated business models are harder to find among these companies. Also, the stocks could be vulnerable if the Fed backs away from its dovish forecast for some unforeseen reason.

Thank you for the opportunity to manage your assets.

Sincerely,

Brian Bythrow and Thomas Bradley

TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Micro Cap Value Fund—Investor	13.13%	13.13%	0.63%	13.26%	9.92%
Micro Cap Value Fund—Institutional	13.38%	13.38%	0.82%	13.43%	10.00%
Russell Microcap® Index**	16.06%	9.33%	0.61%	8.56%	5.79%

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 1/31/2024.** 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.

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 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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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. The EV (enterprise value)-to-EBITDA (earnings before interest, taxes, depreciation and amortization) ratio is enterprise value, as defined above, divided by annual EBITDA. The EV-to-EBITDA ratio is a measure of a company's expensiveness.

The federal-funds rate is the interest rate at which private depository institutions (mostly banks) lend balances (federal funds) at the Federal Reserve to other depository institutions, usually overnight. It is the interest rate banks charge each other for loans.

An initial public offering (IPO) is a company's first sale of stock to the public.

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

Diversification is a strategy that mixes a variety of investments within a portfolio in an attempt to reduce risk. Diversification does not eliminate the risk of experiencing investment losses.

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

MICRO CAP VALUE FUND — TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2023

Security Name	Percent of Net Assets
Skyline Champion Corp.	3.3%
Esquire Financial Holdings, Inc.	2.4%
Construction Partners, Inc. Class A	2.3%
ICF International, Inc.	2.1%
Instem PLC	1.9%
Veeco Instruments, Inc.	1.9%
Sterling Infrastructure, Inc.	1.8%
JDC Group AG	1.8%
EZCORP, Inc. Class A	1.7%
HCI Group, Inc.	1.6%
Total	20.8%

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.