WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WMCVX / Institutional WICVX

Wasatch Small Cap Value Fund

SEPTEMBER 30, 2023

Quality and Balance Contributed to the Fund's Outperformance In the Third Quarter

FUND MANAGERS

Jim Larkins
Lead Portfolio Manager

24 YEARS ON FUND / 27 YEARS AT WASATCH

Austin Bone
Portfolio Manager

3 YEARS ON FUND / 7 YEARS AT WASATCH

OVERVIEW

Small-cap value stocks lost ground in the third quarter of 2023, based on the -2.96% decline in the Russell 2000® Value Index. Investor sentiment was dampened by concerns that the combination of persistent inflation and slowing growth may usher in a period of "stagflation" for the economy. Despite the difficult macro environment, the Wasatch Small Cap Value Fund—Investor Class finished the quarter with a small gain of 0.22%. It also registered a solid gain of 13.26% for the year-to-date period ending September 30, 2023, while the benchmark posted a negative return of -0.53%.

We believe our favorable showing in a time of elevated volatility and unsteady market performance stems from our decision to focus on higher-quality companies. The quality characteristics we consider include a company's return on assets, free cash flow, gross profit margin, and its ratio of operating cash flow to net income. We began to shift toward the higher end of the quality spectrum in 2022 as the market backdrop

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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—1.16%, Institutional Class—Gross: 1.06%, Net: 1.05%. The Advisor has contractually agreed to limit certain expenses to 1.50% for the Investor Class and 1.05% for the Institutional Class through at least 1/31/2024.***

became less supportive, and we continued this process throughout 2023. At the end of September, in fact, the Fund was near the highest level of quality in its history. Along this same line, the average debt of our portfolio companies was on the low end of its historical range. These characteristics have held the Fund in good stead during a time of rising interest rates and concerns about the economic outlook.

Our decision to maintain a balanced approach to portfolio construction also helped the Fund during the quarter. We seek to achieve balance in part by devoting a portion of the portfolio to the "growthier" end of the value universe, which typically makes our returns less correlated with the performance of the value style more broadly. In addition, we strive to keep the portfolio from becoming too tilted toward any single economic or market scenario. For example, we avoid large overweights in companies that are more likely to outperform when the economy is expanding. This approach has proven helpful to the Fund, given the rapid shifts in market sentiment in recent months.

DETAILS OF THE QUARTER

A number of the Fund's leading contributors for the quarter were *Undiscovered Gems*, our term for inexpensive growth companies flying below Wall Street's radar. Because these tend to be higher-quality companies, we think they're generally in a better position to weather periods of market instability. This trait was evident in the third quarter, with many of our top individual performers coming from the Undiscovered Gem category. Ollie's Bargain Outlet Holdings, Inc. (OLLI), which we originally purchased during the Covid-19 period, was one such holding. After initially performing well following its addition to the portfolio, this retailer of closeout and overstock items hit a rough patch in late 2021 and early 2022 due to tough year-over-year comparisons and the effects of rising inflation on its costs. We stuck with the position on the belief that the company continued to execute well, and the stock has since recovered nicely as consumers have traded down to less-expensive options.

Fabrinet (FN), a contract technology manufacturer that we've held in the portfolio for some time, was another top performer of note. Fabrinet is a "pick-and-shovel" company that is capitalizing on rising data traffic and the need for increased computational power stemming from the growth of artificial intelligence (AI). We think the company is positioned to benefit from AI's proliferation no matter which larger players emerge as the winners in the space, which was an attractive characteristic that helped propel the stock higher during the quarter.

Keeping in mind that company fundamentals are the primary reason why we hold individual stocks, our effort to achieve balance in the portfolio was evident in the strong performance of certain holdings. For instance, HealthEquity, Inc. (HQY)—a custodian of health-savings accounts, an area that has seen growth in the post-pandemic recovery—has a business model that we think positions it to benefit from rising interest rates. This trait has helped the stock perform well in the current environment. Grand Canyon Education, Inc. (LOPE), a for-profit education provider with strong cash flows and a share buyback program, also performed well due in part to the fact that university enrollments tend to rise when the economy slows. We think the strength in these holdings helps illustrate the merits of remaining cognizant of the impact that broader trends can have on the portfolio.

On the other hand, a number of holdings posted double-digit losses and limited the extent of our outperformance. Euronet Worldwide, Inc. (EEFT) lost ground as the summer travel season brought lower-than-expected usage of automated-teller machines in Europe. We're monitoring the stock closely since this trend may be a sign of consumers' longer-term shift away from cash. We also lost some relative performance from our position in Mister Car Wash, Inc. (MCW). Although the company features robust cash flows, and we think it's well-situated to benefit from industry consolidation, its stock was hit by both rising competition and softer consumer spending. In addition, it's one of the handful of portfolio companies with above-average debt—a headwind during a time of rising rates. We maintained the position, albeit at a small weighting, given the stock's compelling valuation. LGI Homes, Inc. (LGIH), a producer of lower-cost housing, was an additional underperformer of note. We maintained the position on the belief that LGI is poised to capitalize on the tight supply of less-expensive housing in the coming year. (*Current and future holdings are subject to risk and change.)*

OUTLOOK

We've continued the process of rotating positions in the portfolio to capture value opportunities as they've presented themselves. In the down market of 2022, we added a number of *Fallen Angels* (our term for faster-growing companies that have hit a bump in the road and dropped into value territory). Many of these stocks—including Trex Company, Inc. (TREX) and InMode Ltd. (INMD)—have since rebounded to more appropriate valuation levels, prompting us to reduce or eliminate the positions. We used the proceeds of these sales to establish new investments in companies that have underperformed, particularly within the industrials sector. We believe this opportunistic approach—harvesting returns from ideas we no longer find attractive and rotating assets into good companies that have fallen into value territory—has played a key role in our longer-term outperformance.

More broadly speaking, we made no changes to our approach of emphasizing balance and quality. Given the heightened uncertainty and the potential for the economy to enter a challenging period, we don't see value in taking on elevated risk or making large "bets" on any single area of the market. Similarly, we think these conditions call for a continued focus on holding the most fundamentally sound companies in our universe and avoiding those that may be less equipped for economic challenges. We believe this approach helps build the type of "all-weather" portfolio that can outperform if headline risk remains elevated, while still participating in market upside.

Thank you for the opportunity to manage your assets.

Sincerely,

Jim Larkins and Austin Bone

WASATCH GLOBAL INVESTORS

TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Small Cap Value Fund—Investor	0.22%	24.90%	13.11%	5.51%	8.86%
Small Cap Value Fund—Institutional	0.22%	25.07%	13.20%	5.64%	8.98%
Russell 2000® Value Index**	-2.96%	7.84%	13.32%	2.59%	6.19%
Russell 2000® Index†	-5.13%	8.93%	7.16%	2.40%	6.65%

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

The performance data quoted represents past performance. Past performance does not guarantee future results. 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. 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—1.16%. Institutional Class—Gross: 1.06%, Net: 1.05%**

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 1.50% for the Investor Class and 1.05% 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.

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. Investments in value stocks can perform differently from the market as a whole and from other types of stocks 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 Small Cap Value Fund's investment objective is long-term growth of capital. Income is a secondary objective, but only when consistent with long-term growth of capital.

***The Russell 2000 Value Index measures the performance of Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.*

†The Russell 2000 Index is an unmanaged total return index of the smallest 2,000 companies in the Russell 3000 Index, as ranked by total market capitalization. The Russell 3000 Index is an unmanaged total return index of the largest 3,000 U.S. companies based on total market capitalization. The Russell 2000 Index 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 Small Cap Value Fund has been developed solely by Wasatch Global Investors. The Wasatch Small 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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Free cash flow is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures. It is the cash a company generates after spending the money required to maintain or expand its asset base.

Return on assets (ROA) measures a company's profitability by showing how many dollars of earnings a company derives from each dollar of assets it controls.

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

SMALL CAP VALUE FUND — TOP 10 HOLDINGS

AS OF JUNE 30, 2023

Security Name		Percent of Net Assets
Kadant, Inc.		3.7%
Ensign Group, Inc.		3.2%
Hamilton Lane, Inc. Class A		2.9%
Nova Ltd.		2.9%
Artisan Partners Asset Management, Inc. Class A		2.8%
Innospec, Inc.		2.7%
Skyline Champion Corp.		2.7%
Bank OZK		2.6%
Moelis & Co. Class A		2.6%
Euronet Worldwide, Inc.		2.5%
	Total	28.6%

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.